

FISCAL YEAR

2018-19

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2019

CITY OF MCKINNEY, TEXAS



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COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FISCAL YEAR ENDED
SEPTEMBER 30, 2019**

**AS PREPARED BY
FINANCIAL SERVICES**



**CITY OF MCKINNEY, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

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INTRODUCTORY SECTION





January 29, 2020

Honorable Mayor and City Council,
City Manager,
Citizens of McKinney:

The Comprehensive Annual Financial Report (CAFR) of the City of McKinney, Texas (the City), for the fiscal year ended September 30, 2019, is hereby submitted in accordance with Section 46 of the City Charter.

This report provides the City Council, City staff, our citizens, our bondholders and other interested parties with detailed information concerning the financial condition and activities of the City government. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City.

To the best of our knowledge and belief the enclosed data is accurate in all material respects and is organized in a manner designed to fairly present the financial position and results of operations of the City as measured by the financial activity of its various funds. We also believe that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

BKD, LLP, Certified Public Accountants, has issued an unmodified ("clean") opinion on the City of McKinney's financial statements for the year ended September 30, 2019. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and the two should be read in conjunction with each other.

CITY OF MCKINNEY PROFILE

The City of McKinney, incorporated in 1848, is located in central Collin County, Texas, 30 miles north of downtown Dallas, on U.S. Highway 75. The City currently occupies a land area of 68 square miles and serves a population of approximately 195,342 as of January 1, 2020. The City is empowered to levy property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by voluntary annexation, which occurs periodically, when deemed appropriate by the landowner and governing council.

The City Council is comprised of a mayor and six members and is responsible for enacting ordinances, resolutions, and regulations governing the City, as well as appointing the members of various statutory and advisory boards, the City Manager, City Attorney, and Municipal Judges. The mayor and the council members are elected on a non-partisan basis. Both the mayor and council members serve four-year terms. Four of the council members are elected by district. The mayor and the two remaining council members are elected at large. The City Manager is the chief administrative officer of the government and is responsible for the enforcement of laws and ordinances, the appointment and supervision of the directors and heads of departments, and the performance of functions within the municipal organization.

The City of McKinney provides a full range of services including police, fire, emergency ambulance service, library, parks, recreation, water, sewer, airport, refuse collection and disposal, golf, traffic engineering, streets and infrastructure, community development (planning and zoning), economic development, public improvements, and general administrative services.

The financial reporting entity includes all funds of the primary government (i.e., the City of McKinney as legally defined), as well as these separate legal entities: the McKinney Urban Transit District and the Housing Finance Corporation. These entities are reported as governmental activities. Additionally, the financial statements include McKinney Economic Development Corporation (MEDC), McKinney Community Development Corporation (MCDC), McKinney Convention and Visitors Bureau (MCVB), and McKinney Main Street (MMS). These separate legal entities are reported as discrete component units on the government-wide statements.

LOCAL ECONOMY

McKinney has been one of the fastest growing cities in America since 2000. The City currently estimates population at 195,342. Compared to 131,000 in the 2010 census and 54,000 in the 2000 census, this is an increase of 49% and 262%, respectively.

This growth is due in large part to corporate relocations in McKinney's neighboring cities, including Toyota, State Farm Insurance, Liberty Mutual Insurance and the Dallas Cowboys. These major employers in Collin County create a positive economic overflow for McKinney through increased residential demand resulting in higher assessed values on property. In perspective, McKinney's assessed taxable values have increased 101% since fiscal year 2010.

In an effort to spur our economic growth in McKinney, the City works in conjunction with MEDC and MCDC to make McKinney rich with industry. McKinney is the home to major medical technology, data management, manufacturing, aviation, defense, mixed-use, office and retail. Companies range from Fortune 500 corporations to home-grown businesses. The impressive list includes Raytheon, Encore Wire, Playful, Baylor Medical Center at McKinney, Medical Center of McKinney, Torchmark/United American Ins., UPS, PACCAR, Independent Bank, Playful, Costco, and Service First Mortgage.

The small business community is equally important to the vitality of McKinney's economy. McKinney's 171-year old city center, one of the oldest authentic historic downtowns in Texas, serves as a thriving retail, dining, entertainment and business destination with over 120 unique small businesses. In 2019, the City partnered with a local developer to construct and lease to the City a 310 space multi-deck public parking garage to support the flourishing downtown activity.

McKinney's growth and development over the past decade have been built on a strong foundation of overall planning, management, quality of life, and policy direction. All in all, the picture of McKinney is one of a vital community, facing the economic challenges and opportunities of the future with optimism and forethought.

LONG-TERM FINANCIAL PLANNING

The City prepares ten-year financial plans for the General Obligation Debt Service Fund and the General Fund. These longer range planning documents help capture the larger scope of projects that will accommodate and foster future growth, while maintaining financial stability. Both plans are updated and reviewed annually by Council during the budget process.

In 2019, the City completed a long-term water/wastewater rate study that included capital improvement needs in the foreseeable future. This study again made rate suggestions to include passing through all North Texas Municipal Water rate increases at a minimum, which continues to be adopted by the City Council since first proposed in 2016 and is revisited on an annual basis during the budget process.

GENERAL OBLIGATION DEBT SERVICE LONG-TERM FINANCIAL PLAN

This ten-year plan was developed and adopted to pair the City's long-term debt capacity with the City's capital project financing needs. This plan is being used to guide a 2019 bond referendum for voter authorization towards projects planned over the next ten years.

Revenues for the plan, which come from property taxes, are projected at conservative levels and are compared to future estimates of debt service payments. The primary variables are the rate of increase in property tax, debt issuances and new capital improvement projects planned during the projection period. It is the City's policy that the percentage of tax rate allocated to debt services will not be more than 35%.

GENERAL FUND LONG-TERM FINANCIAL PLAN

This plan accounts for the future operating needs of the General Fund. It takes into consideration increased operational demands as result of McKinney expected population growth, as well as the operational impact of the capital projects outlined in the General Obligation Debt Service Long-Term plan.

Revenues for the General Fund plan are projected at conservative levels and are compared to expenditure increase estimates. The primary variables are the rate of increase in revenues and new projects or programs planned during the projection period. The City's General Fund revenue primarily comes from property taxes, sales tax and franchise fees. The remainder comes from licenses/permits, charges for service, fines and interest income.

FIVE-YEAR CAPITAL IMPROVEMENT PLAN

During the annual budget process, the City of McKinney publishes a capital improvement plan, which outlines the first five years of projects contained within the General Obligation Debt Service Long-Term financial plan and the water/wastewater rate study. The City annually evaluates the need to issue debt using the five-year capital improvement plan, staying within the guidelines of the approved debt policy and the General Obligation Debt Service ten-year financial plan.

RELEVANT FINANCIAL POLICIES

The City's financial policies set forth the basic framework for the fiscal management of the City. These include policies for accounting, budgeting, capital improvements, asset management, revenue management, and fund balance/reserve levels. These policies were developed within the parameters established by applicable provisions of the Texas Local Government Code and the City of McKinney City Charter. The policies are to be reviewed on an annual basis and modified to accommodate changing circumstances or conditions.

The City's accounting records for general governmental activities are maintained on a modified accrual basis, with the revenues being recorded when available and measurable and expenditures being recorded when the services or goods are received, and the liabilities are incurred. Accounting records for the City's water and sewer utility and other proprietary activities are maintained on the accrual basis.

In developing and maintaining the City's accounting system, consideration is given to the adequacy of the internal control structure. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets; and (3) compliance with all applicable rules, regulations and contractual requirements. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary control is maintained at the fund level. All annual appropriations lapse at fiscal year-end. Under the City's budgetary process, outstanding encumbrances are reported as reservations of fund balances and do not constitute expenditures or liabilities since the commitments will be re-appropriated and honored the subsequent fiscal year.

The annual budget serves as the foundation for the City of McKinney's financial planning and control. All requests for appropriation by the departments, divisions, and component units of the City of McKinney shall be furnished to the City Manager on or before August 1st each year. A proposed budget is presented to the City Council for review on or before August 15th. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than September 30th, the close of the City's fiscal year. The appropriated budget is prepared by fund, function (e.g. public safety), and department (e.g. police). Transfer of appropriations within a department and within funds may be made with approval from the City Manager or his designee. Transfers between funds or additional appropriation require the approval of the City Council.

MAJOR INITIATIVES

The City of McKinney undertakes major initiatives based on City Council goals and strategies, dubbed as "McKinney First." These are the building blocks for McKinney's success.

MAXIMIZING THE POTENTIAL OF THE MCKINNEY NATIONAL AIRPORT

The City of McKinney is devoted to growing the present and future economic wealth within the City, and the McKinney National Airport is a driving force in keeping pace with the economic trends in North Texas. The McKinney National Airport currently has an economic impact of more than \$212 million annually to the City of McKinney and its surrounding region, according to the 2018 Texas Aviation Economic Impact Study. In 2019 construction was completed on a new 40,000-square-foot hangar, by far the largest hangar at the airport, with office spaces ready for tenant finish out and eight fully-enclosed garage spaces for car storage. To further the potential of the airport, the Texas Department of Transportation recently announced its approval of a \$15 million state grant to be used to extend the existing runway from its current length of 7,002 feet to 8,502 feet. Construction is expected to begin in late 2021.

DIRECTION FOR STRATEGIC AND ECONOMIC GROWTH

The City of McKinney, in partnership with MEDC and MCDC, provide development incentive agreements to businesses that will improve the economic and social well-being of its citizens. Major projects incentivized in 2019 include, Independent Bank and Playful completing construction on their new corporate headquarters bringing six hundred new jobs to the City. Costco also completed construction on a 152,000-square-foot warehouse creating one hundred new jobs.

ENHANCE THE QUALITY OF LIFE IN MCKINNEY

The City of McKinney is committed to leisure and recreational opportunities that enrich the quality of life for residents and visitors. The expansion project of the John & Judy Gay Library continues and will double the public access space to include additional teen, adult and toddler areas, two multipurpose rooms, outdoor program space and additional parking. Replacement of playground equipment at various parks throughout the City continues and construction to expand the Gabe Nesbitt Tennis Center commenced.

OPERATIONAL EXCELLENCE

The City of McKinney holds transparency to be one of its highest values in achieving operational excellence. The city offers substantial transparency measures in an ongoing effort to provide a more open government and continues to add more ways residents can learn about city activities. The City maintains a transparency page on its website which offers news, projects, financial information, agendas, legal updates, hot topics, and other initiatives in one location. The site also includes an interactive financial reporting tool and a performance insight tracking tool to show how city departments are performing against City Council and department goals.

CAPITAL PROJECT INITIATIVES

For Fiscal Year 2019, major project initiatives for the City of McKinney included substantial completion of Fire Station #10 in Trinity Falls with services to begin in spring 2020, and the purchase of seven acres near downtown McKinney to serve as the location for a new Municipal Complex / City Hall. Other initiatives included Phase 4 of improvements to the existing Public Safety Building, an aircraft storage hangar at McKinney National Airport, infrastructure improvements to the downtown area, and expansion of Virginia Parkway. In addition, design and construction continued for various water and street improvements throughout the City.

For Fiscal Year 2020, major project initiatives will include the Old Settler's Recreation Center renovation, as well as the expansion of the City's Senior Center. Land acquisition will begin on the Airport's Runway Expansion project in conjunction with a TXDOT/FAA grant. Renovations to various athletic fields and parks throughout the City continue. Numerous street and water/wastewater improvement projects are moving forward to support population expansion as well as addressing some of our aging infrastructure needs.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of McKinney for its CAFR for the fiscal year ended September 30, 2018. This was the thirty-fifth consecutive year the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The current CAFR will be submitted to the GFOA where we expect it to meet the Certificate of Achievement eligibility requirements.

The City also received the GFOA's Award for Distinguished Budget Presentation for its annual program of services dated October 1, 2018. This is the thirty-fifth consecutive year the City has received the award. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories including policy document, financial plan, operations guide, and communications device.

Also, in 2019, McKinney maintained its five Texas Comptroller of Public Accounts Transparency Stars for Traditional Finances, Debt Obligations, Contracts and Procurement, Economic Development, and Public Pensions. This award program recognizes local governments across Texas for going above and beyond in their transparency efforts. The Texas comptroller received one hundred and sixty-nine applications from local entities, of which only eleven received the maximum five Transparency Stars.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Financial Services Department, our Audit Committee, and our independent auditors. We would like to express our sincere appreciation to those persons who have made possible the publication of this report. Credit also must be given to the Mayor, City Council and the City Manager's Office for their support for maintaining the highest standards of professionalism in the management of the City of McKinney's finances.

Respectfully Submitted,

A handwritten signature in dark ink, appearing to read "Mark Holloway", written in a cursive style.

Mark Holloway
Chief Financial Officer



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**City of McKinney
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

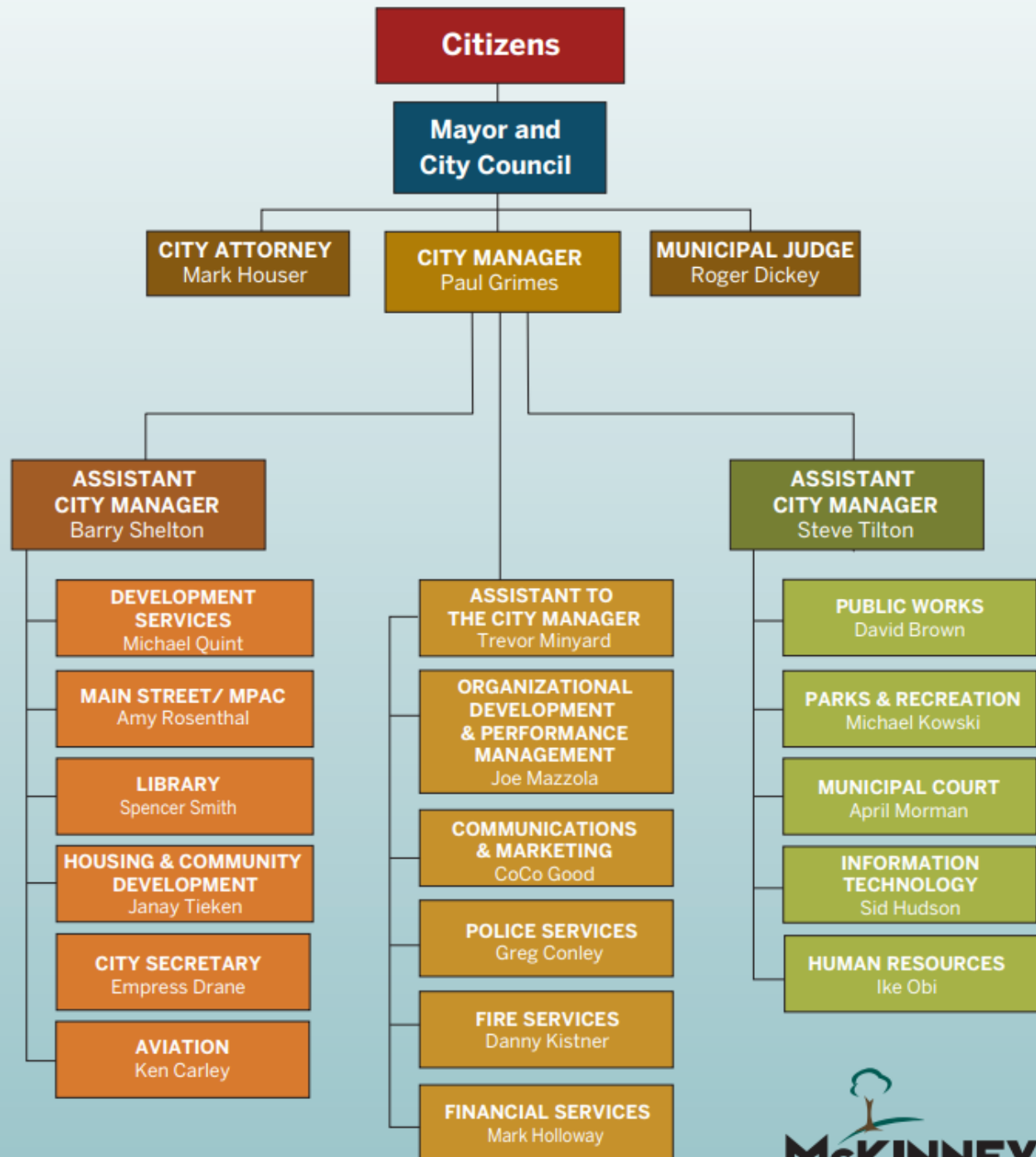
September 30, 2018

Christopher P. Morill

Executive Director/CEO



CITY OF MCKINNEY
ORGANIZATIONAL CHART
(AS OF 09-05-2019)





CITY OF MCKINNEY, TEXAS

CITY OFFICIALS

CITY COUNCIL

George Fuller, Mayor
Rainey Rogers, Mayor Pro Tem
Scott Elliott
Rick Franklin
Frederick Frazier
Charlie Philips
La'Shadian Shemwell

CITY MANAGER

Paul Grimes

ASSISTANT CITY MANAGERS

Barry Shelton
Steve Tilton

CHIEF FINANCIAL OFFICER

Mark Holloway



FINANCIAL SECTION



Independent Auditor's Report

Members of the City Council
City of McKinney, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of McKinney (City), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension and other postemployment benefit information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules, introductory and statistical sections as listed in the table of contents presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Members of the City Council
City of McKinney, Texas
Page 3

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we also have issued our report dated January 29, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

BKD, LLP

Dallas, Texas
January 29, 2020



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of McKinney, we offer readers of the City of McKinney financial statements this narrative overview and analysis of the financial activities of the City of McKinney for the fiscal year ended September 30, 2019. Please read this in conjunction with the transmittal letter at the beginning of the report and the City's financial statements following this section.

I. FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of McKinney exceeded its liabilities and deferred inflows of resources at September 30, 2019, by \$1,199 million (Net Position). Of this amount, \$917 million (77%) are invested in capital assets which do not directly generate revenue and are not available to generate liquid capital. Net position restricted for specific purposes total \$123 million (10%). The remaining \$159 million (13%) is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City of McKinney's net position increased by \$40 million or 3%. Unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors, increased by \$34 million or 28%.
- At the close of the current fiscal year, the City of McKinney's governmental funds reported combined ending fund balances of \$304 million, an increase of \$38 million in comparison to the prior year. Approximately \$61 million, or 20%, of the fund balance is available for spending at the government's discretion (unassigned fund balance).
- Within the combined fund balances, \$4.7 million is nonspendable for inventory and prepaid items. Fund balance is restricted in the amounts of \$6 million for debt service, \$207.1 million is for street construction and other capital projects, and \$8 million for courts, grants and the other external constraints of special revenue funds. Assignments of fund balance have been made in the amounts of \$1.1 million for the APEX center, \$5.5 million for other postemployment benefits (OPEB), \$10 million for capital equipment replacement, \$0.5 million for disaster relief and \$0.5 million for public and performing arts. The remaining \$60.7 million is unassigned fund balance in the general fund and can be used for any lawful purpose. The unassigned general fund balance is equal to 40% of total general fund expenditures. This represents 15% more than the fund balance policy requirement of 25%.
- On a government-wide basis, the City's total liabilities increased by \$81.9 million or 17% during the current fiscal year. Major contributable factors include debt issuances resulting in net increase of \$50.1 million increase to bonds payable including associated changes in bond premiums. Additionally, the City experienced an increase in the net pension liability of \$22 million primarily resulting from the depression of investment market conditions as of the actuarial measurement date of December 31, 2018.

II. OVERVIEW OF THE FINANCIAL STATEMENTS

Management's discussion and analysis is intended to serve as an introduction to the City of McKinney's basic financial statements. The City of McKinney's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government – Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of McKinney's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City of McKinney's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the total of assets and deferred outflows of resources and liabilities and deferred inflows of resources reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of McKinney is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

In the Statement of Net Position and the Statement of Activities, the City is divided into three kinds of activities:

- **Governmental Activities** – Most of the City's basic services are reported here, including administrative, police, fire, development, public works, parks and library. Property taxes, sales taxes, hotel occupancy taxes, franchise fees, licenses and permit fees finance most of these activities.
- **Business-type Activities** – The City charges a fee to customers to cover all or most of the cost of certain services it provides. The City's water and wastewater system, solid waste system, airport, golf course and surface water drainage system are reported here.
- **Component Units** – The City includes four separate legal entities in its report – McKinney Economic Development Corporation, McKinney Community Development Corporation, McKinney Convention and Visitors Bureau and McKinney Main Street. Although legally separate, these component units are important because the City is financially accountable for them.

The government-wide financial statements can be found on pages 15-17 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of McKinney, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of McKinney can be divided into three categories: governmental funds, proprietary funds including internal service funds and fiduciary funds.

- **Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of McKinney maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, debt service fund and capital projects fund, all of which are considered to be major funds. Data from the other ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of McKinney adopts an annual appropriated budget for its general fund, debt service fund, capital projects fund and nonmajor special revenue funds. Budgetary comparison statements have been provided for each of these funds to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 18-22.

- **Proprietary Funds.** The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. There are two types of proprietary funds: enterprise funds and internal service funds. The City's proprietary fund financial statements are identical to the business-type activities that are reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. Because these services benefit both governmental as well as business-type functions, they have been included in both the governmental and business-type activities in the government-wide financial statements.

The City of McKinney maintains five individual enterprise funds to account for its water and wastewater, airport, solid waste, golf course and surface water drainage. The water and wastewater fund and airport fund are considered major funds, while the solid waste fund, golf course fund and surface water drainage fund are considered as nonmajor funds of the City. Individual fund data for each of these funds is provided in the form of combining statements in this report.

The City of McKinney uses the internal service funds as an accounting device to accumulate and allocate costs internally among the City's various functions. The City maintains two internal service funds, one to account for the claims of the City's self-funded insurance program and risk management program and one to account for the costs associated with the maintenance of the City's operation and service vehicles. As of September 30, 2019, the City has elected to transfer the second internal service fund's maintenance activities into the General fund and will not be reported following the current fiscal year.

The basic proprietary fund financial statements can be found on pages 23-26.

- **Fiduciary Responsibilities.** The City is the trustee, or fiduciary, for certain amounts held on behalf of developers, property owners and others. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Position. The activities of these funds are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

The basic fiduciary fund financial statements can be found on page 27.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-78.

Other Information. In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City of McKinney's progress in funding its obligation to provide pension benefits and other postemployment benefits to its employees, which can be found on pages 79-82.

The combining statements referred to earlier in connection with the nonmajor governmental funds, nonmajor enterprise funds and discretely presented component units are presented immediately following the required supplementary information on pensions. Combining statements and individual fund statements can be found on pages 83-124 of this report.

III. GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of McKinney, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,199 million as of September 30, 2019.

By far the largest portion of the City's net position, \$917 million or 77% reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion of the City of McKinney's net position, \$123 million or 10%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$159 million or 13% may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City reported a positive balance in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The net position for governmental activities and business-type activities is summarized as follows (in thousands):

	Governmental Activities		Business-type Activities		Total	
	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018
ASSETS						
Current and other assets	\$ 338,180	\$ 298,086	\$ 222,335	\$ 207,870	\$ 560,515	\$ 505,956
Capital assets	626,558	614,647	536,813	498,351	1,163,371	1,112,998
Total Assets	<u>964,738</u>	<u>912,733</u>	<u>759,148</u>	<u>706,221</u>	<u>1,723,886</u>	<u>1,618,954</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>23,676</u>	<u>12,363</u>	<u>8,130</u>	<u>7,231</u>	<u>31,806</u>	<u>19,594</u>
LIABILITIES						
Other liabilities	21,072	19,775	15,208	12,620	36,280	32,395
Long-term liabilities outstanding	361,767	314,571	157,713	126,211	519,480	440,782
Total Liabilities	<u>382,839</u>	<u>334,346</u>	<u>172,921</u>	<u>138,831</u>	<u>555,760</u>	<u>473,177</u>
DEFERRED INFLOWS OF RESOURCES	<u>1,150</u>	<u>6,287</u>	<u>128</u>	<u>791</u>	<u>1,278</u>	<u>7,078</u>
NET POSITION						
Net investment in capital assets	461,844	440,381	455,241	448,604	917,085	888,985
Restricted	105,207	127,255	13,890	17,302	119,097	144,557
Unrestricted	37,374	16,827	125,098	107,924	162,472	124,751
Total Net Position	<u>\$ 604,425</u>	<u>\$ 584,463</u>	<u>\$ 594,229</u>	<u>\$ 573,830</u>	<u>\$ 1,198,654</u>	<u>\$ 1,158,293</u>

The City of McKinney's net position increased by \$40 million during the current fiscal year. This was driven by an increase in both governmental and business-type net position of \$20 million, each. Details are listed in the table below and discussed on pages 8-11.

Changes in Net Position (in thousands)

	Governmental Activities		Business-type Activities		Total	
	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018
REVENUES						
Program revenues:						
Charges for services	\$ 26,915	\$ 28,232	\$ 114,282	\$ 112,156	\$ 141,197	\$ 140,388
Operating grants and contributions	3,450	2,762	50	32	3,500	2,794
Capital grants and contributions	36,010	50,241	18,829	38,938	54,839	89,179
General revenues:						
Property taxes	116,385	107,281	-	-	116,385	107,281
Sales taxes	30,724	29,079	-	-	30,724	29,079
Franchise taxes	16,057	16,253	-	-	16,057	16,253
Other taxes and fees	341	338	-	-	341	338
Investment income	8,233	3,995	5,909	3,892	14,142	7,887
Other revenues	692	820	225	314	917	1,134
Total Revenues	238,807	239,001	139,295	155,332	378,102	394,333
EXPENSES						
General government	38,767	35,050	-	-	38,767	35,050
Police	38,969	34,855	-	-	38,969	34,855
Fire	34,466	31,327	-	-	34,466	31,327
Libraries	4,101	3,968	-	-	4,101	3,968
Development	12,284	11,993	-	-	12,284	11,993
Parks and recreation	20,028	20,227	-	-	20,028	20,227
Public works	50,529	47,181	-	-	50,529	47,181
Interest on long-term debt	8,594	7,617	-	-	8,594	7,617
Airport	-	-	12,083	11,333	12,083	11,333
Water/Wastewater	-	-	91,547	86,521	91,547	86,521
Solid Waste	-	-	7,706	7,641	7,706	7,641
Golf Course	-	-	79	209	79	209
Surface Water Drainage	-	-	3,054	2,531	3,054	2,531
Special Item/Loss on sale of assets	15,534	-	-	-	15,534	-
Total Expenses	223,272	192,218	114,469	108,235	337,741	300,453
Increase (Decrease) in Net Position Before Transfers	15,535	46,783	24,826	47,097	40,361	93,880
Transfers	4,427	(20,388)	(4,427)	20,388	-	-
Increase (Decrease) in Net Position	19,962	26,395	20,399	67,485	40,361	93,880
Net Position-Beginning	584,463	558,068	573,830	506,345	1,158,293	1,064,413
Net Position- Ending	\$ 604,425	\$ 584,463	\$ 594,229	\$ 573,830	\$ 1,198,654	\$ 1,158,293

Governmental Activities

Governmental activities increased the City's net position by \$20 million during the current fiscal year. The key elements of this increase are as follows:

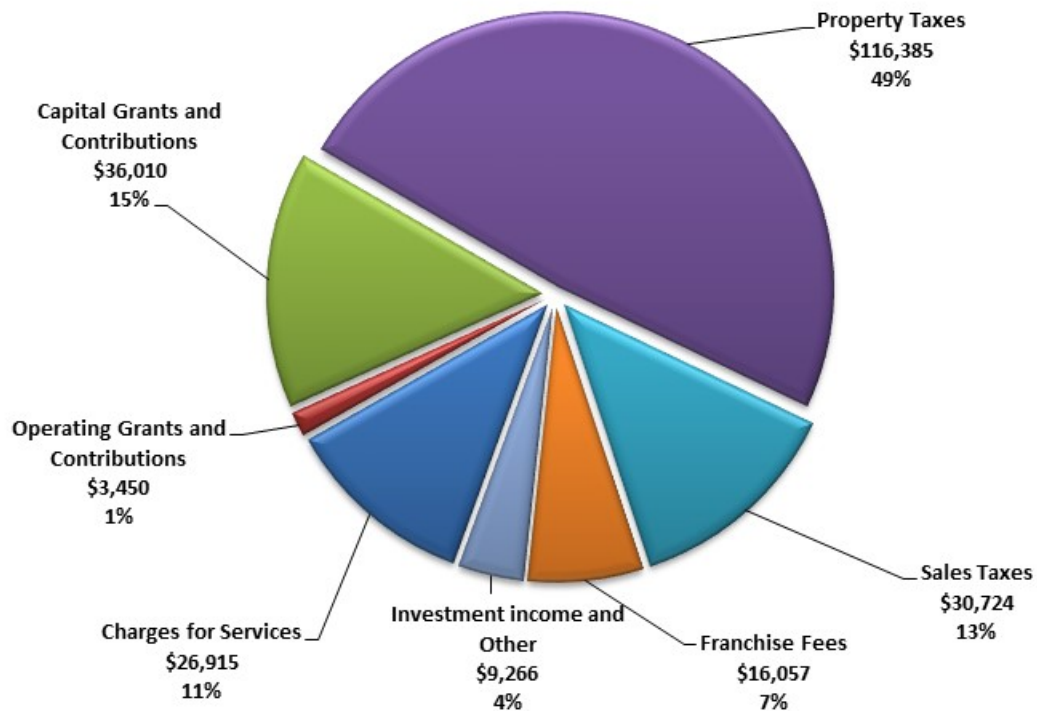
Revenues

- Property taxes increased by \$9.1 million as a result of a 11% increase in certified taxable value.
- Sales taxes increased by \$1.6 million, or 6% as a result of population and commercial growth in the area.
- Capital grants and contributions decreased by \$14.2M or 28% primarily as a result of decreases in developer contributions. This is most closely associated with the current year decrease in permits of 27%.
- Investment income increased by \$4.2 million or 106% resulting from an improved investment market.

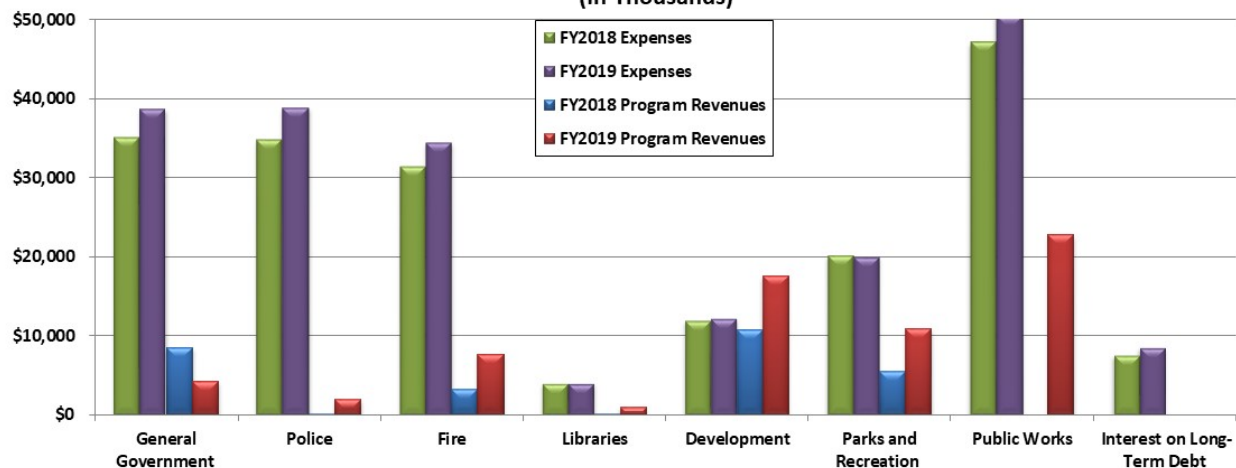
Expenses

- The City's governmental expenses increased by \$15.2 million.
- The 2019 budget authorized 56 additional positions and a 3% merit pool for increased personnel costs of \$8.5 million.
- During the current year governmental expenses for loss on disposal of capital assets increased to \$15.5M as a result of a lessee exercising their contract option to buy the City's and MCDC's ownership for an amount less than book value.

Revenues by Source - Governmental Activities
(in Thousands)



Expenses and Program Revenues - Governmental Activities
(in Thousands)



Business-type Activities

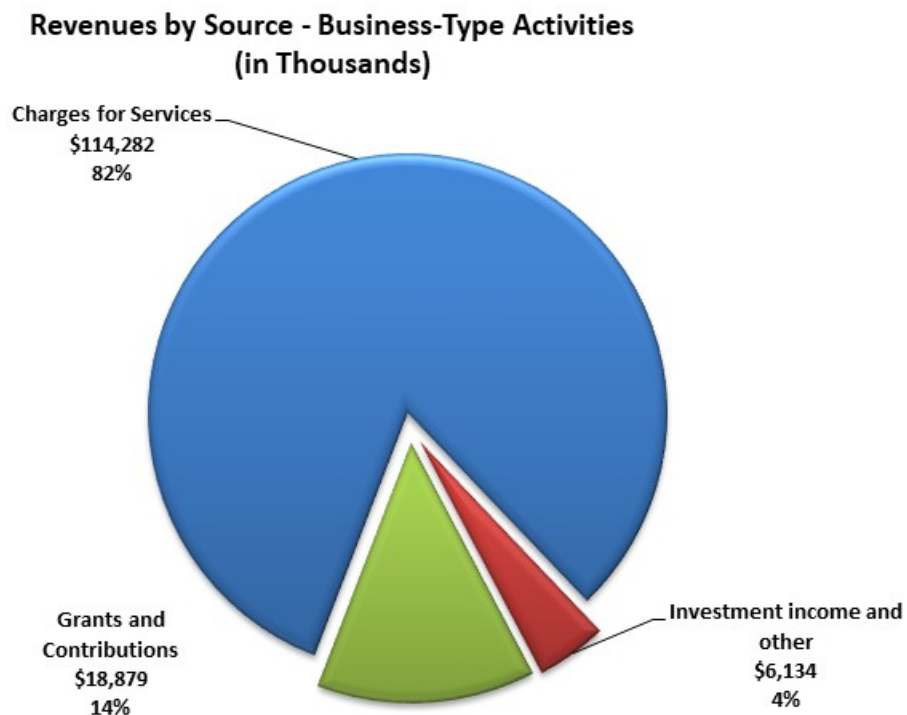
Business-type activities increased the City of McKinney's net position by \$20 million, accounting for the increase in the government's net position. Key elements of this increase are as follows:

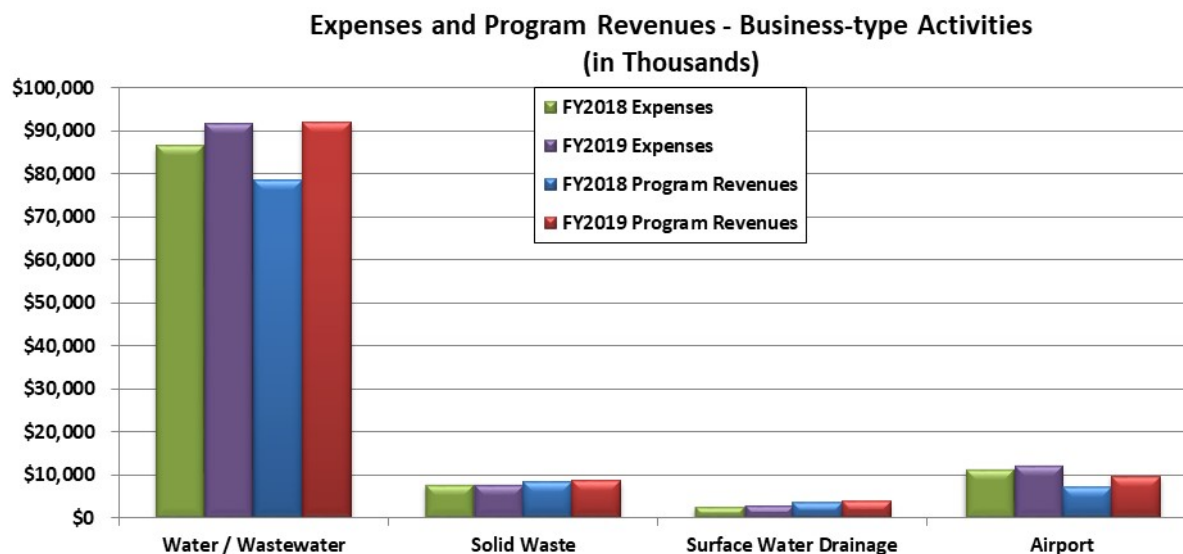
Revenues

- The Water/Wastewater Fund's operating revenues increased by \$819 thousand, or 1% as a result of residential growth adding approximately 2,000 new customer accounts which was offset by higher rainfall in the current year.
- The Water/Wastewater Fund received capital contributions of \$18.8 million relating to continued development in the City.
- The Airport Fund's operating revenues increased by \$1.3 million or 16% due to increases in air traffic resulting in greater fuel sales and associated use fees.

Expenses

- Operating expenses in the Water/Wastewater Fund increased \$4.7 million mainly attributed to a \$5.1 million increase in water purchase and sewer service charges from North Texas Municipal Water District and 7 new positions with an increased personnel cost of \$1.1 million. Other expenses decreased by \$1.7 million relating to non-capitalized special projects completed in the prior year.





Financial Analysis of the City's Funds

Governmental Funds

The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the close of the current fiscal year, the governmental funds reported combined ending fund balances of \$304 million, an increase of \$38 million or 14% in comparison to the prior year. Approximately \$61 million or 20% of this total amount constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is either considered nonspendable, restricted, or assigned in conformance with GASB 54 requirements. Please see page 18 for financial details and page 40 for category definitions.

General Fund. The general fund is the chief operating fund of the City of McKinney. At the end of the current fiscal year, the unassigned general fund balance was \$61 million, while total fund balance was \$84 million. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 40% of total general fund expenditures.

The original budget included a planned decrease in fund balance of \$629 thousand. However, the general fund balance increased by \$6.7 million or 9% during the current fiscal year. This was the result of achieving actual expenditures below budget by \$8 million primarily related to reductions in general government expenditures.

Debt Service Fund. The debt service fund had a total fund balance of \$6 million, an increase of \$414 thousand over the prior year. Higher property valuations and increased investment income outweighed the City's annual debt service requirements.

Capital Projects Fund. The governmental capital projects fund had an ending fund balance of \$197 million. Total expenditures for the current year were \$49 million. The large fund balance is due primarily to the issuance of long-term debt during the fiscal year. A second factor contributing to the large fund balance is the result of many unfinished projects. Most of the projects have long duration due to acquisition of right-of-way and construction phases. Major expenditures incurred during the current year include Trinity Falls Fire Station #10 construction, Gabe Nesbitt Tennis Center expansion, Municipal Complex land acquisition, and several major road extensions.

Proprietary Funds

The City's proprietary funds provide the same type of information that is found in the government-wide financial statements for business-type activities, but in more detail. At September 30, 2019, net position of the proprietary funds included the following amounts of net position:

Water and Wastewater Fund. Water and Wastewater Fund net position increased by \$20.6 million resulting primarily from capital contributions and an increase in investment earnings to improved market conditions. Operating revenues totaled \$92 million, an increase of \$819 thousand, or 1% over the prior year due to residential development resulting in approximately 2,000 new service locations which was offset by higher rainfall in the current year. Operating expenses in the Water and Wastewater Fund were \$86 million, an increase of \$4.7 million or 6% over the prior year, primarily a result of the significant increases in NTMWD water purchase rates and sewer service charges.

Airport Fund. The City's Airport Fund ended the year with a net position of \$122.8 million, which was a decrease of \$2 million compared to the previous year. This was a result of a slight increase in operating expense in the current year. The unrestricted net position of the Airport Fund increased by \$877 thousand or 5% during the current fiscal year. Operating revenues increased by \$1.3 million for the year due to higher fuel sales and hangar leases, totaling \$8.7 million. Operating expenses were \$12 million which increased by \$676 thousand primarily due to increased fuel costs.

Solid Waste Fund. The City's Solid Waste Fund net position increased by \$1.1 million. Operating revenues totaled \$8.7 million, which was a decrease of \$191 thousand as compared to the previous year. Operating expenses were \$7.7 million which were \$65 thousand higher than the previous year.

Golf Course Fund. The Golf Course Fund net position increased by \$5 thousand. Revenues were approximately \$89 thousand which was the contract fee. Expense was primarily city constructed maintenance improvements and depreciation totaling \$79 thousand. In October 2008, the management of the golf course was outsourced to a contractor, DWW Golf Management. The contractor is responsible for collecting all revenues and budgeting for operating expenses. Under the contract terms, the City of McKinney collects an amount equal to 8% of gross revenues.

Surface Water Drainage Fund. The Surface Water Drainage Fund's net position increased by \$678 thousand to \$5.8 million. Charges for services remained relatively consistent with the prior year at \$3.9 million.

General Fund Budgetary Highlights

The actual FY2018-19 expenditures were \$153.5 million, \$3.4 million less than the final budget of \$156.9 million. However, at the end of the year, \$2.1 million of budgeted development studies, capital equipment replacements, and other various projects were not completed and will be re-appropriated to fiscal year 2020.

Actual revenues were \$152.4 million or \$0.5 million less than the \$152.9 million budget plan. The final revenue budget was \$1.3 million more than the original adopted budget mainly attributed to investment market conditions exceeding expectations by \$0.9 million and local residential growth driving up franchise and permit fees by \$0.5 million.

IV. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. At the end of the fiscal year, the City had \$1.16 billion invested in a broad range of capital assets, including land and buildings, roads, bridges, water and wastewater systems, drainage systems, park facilities, and police and fire equipment. This amount represents a net increase (including additions and deductions) of \$50.3 million over the prior fiscal year.

Capital assets, net of accumulated depreciation in thousands, for governmental activities and business-type activities are summarized as follows:

	Governmental Activities		Business-type Activities		Total	
	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018
Land	\$ 42,585	\$ 37,790	\$ 52,367	\$ 52,373	\$ 94,952	\$ 90,163
Works of art	88	32	-	-	88	32
Construction in progress	71,128	37,527	50,302	23,662	121,430	61,189
Buildings	123,529	136,763	31,788	27,648	155,317	164,411
Infrastructure	363,763	376,796	395,745	388,886	759,508	765,682
Machinery and equipment	25,454	25,726	6,611	5,782	32,065	31,508
Service animals	11	13	-	-	11	13
Total	\$ 626,558	\$ 614,647	\$ 536,813	\$ 498,351	\$ 1,163,371	\$ 1,112,998

Capital project commitments as of September 30, 2019 were:

Description	Appropriated Commitment
Water/Wastewater Projects	\$ 137,445,044
Streets Projects	143,242,931
Library Projects	6,714,217
Parks Projects	69,116,159
Fire Projects	18,978,175
Municipal Facilities	27,716,375
Technology Projects	15,856,202
Stormwater Projects	20,954,010
Airport Projects	19,835,549
	<u>\$ 459,858,661</u>

Additional information about the City's capital assets is presented in *Note (3) G* to the financial statements at pages 50-53.

Long-term Debt. At year end, the City had \$426 million in general obligation bonds, certificates of obligation, tax notes and revenue bonds. The total debt was \$375 million at the end of the prior fiscal year. This represents an increase of 13%. All outstanding debt is summarized in thousands below:

	Governmental Activities		Business-type Activities		Total	
	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018
General obligation bonds, certificates of obligations and tax notes (backed by the City)	\$ 277,281	\$ 255,837	\$ -	\$ -	\$ 277,281	\$ 255,837
Revenue bonds (backed by fee revenues)	-	-	148,293	119,653	148,293	119,653
Totals	\$ 277,281	\$ 255,837	\$ 148,293	\$ 119,653	\$ 425,574	\$ 375,490

In 2019, the City once again received the highest ratings issued from two major credit rating agencies for its general obligation (GO) bonds. Moody's Investors Service reaffirmed its Aaa rating and Standard and Poor's reaffirmed its AAA rating for the City's general obligation bonds.

The city earned an upgraded rating of Aa1 from Moody's and a reaffirmed rating of AA+ with stable outlook from Standard and Poor's for its water and wastewater utilities system

Additional information on the long-term debt can be found in *Note (3) J* to the financial statements starting at page 55.

V. ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of McKinney, Texas continues to be financially strong. Although the economy is the primary factor, the City's elected and appointed officials considered many factors when setting the fiscal year 2020 budget, tax rates and fees that will be charged for the business-type activities. The priority for fiscal year 2020 continues to be maintaining quality service while observing prudent spending practices.

Highlights of the 2020 budget include:

- Balanced budget, with total revenues equal to or greater than total expenditures
- Property tax rate reduced one cent to \$0.515600 cents per \$100 assessed value
- Total City budget \$585 million
- General Fund budget \$157.9 million
- Increased and sustained funding for equipment and facilities improvements
- Budgeted supplemental funding of \$15 million (\$5 million for additional staff and other recurring costs, \$10 million for one-time costs) to accommodate citywide departmental needs and operating impacts from Capital Improvement Program
- Additional 59 full-time equivalent (FTE) positions (35 in the General Fund and 24 in other funds)

The property tax rate for fiscal year 2020 decreased from \$0.525170 to \$0.515600 per \$100 assessed value.

For fiscal year 2020, the water and wastewater (sewer) rates increased 2% and 6%, respectively, due to increased cost of service from the North Texas Municipal Water District (NTMWD). The monthly minimum residential water charge will increase from \$16.20 to \$16.50. The water volume rate will charge customers \$4.00 per thousand gallons for the first 7,000 gallons. Residential and sprinkler/irrigation customers will be charged \$5.50 per thousand gallons if the monthly consumption exceeds 7,000 gallons but is less than 20,000 gallons; monthly consumption that exceeds 20,000 gallons but less than 40,000 gallons will be charged at \$6.95; monthly consumption over 40,000 gallons will be charged at 8.35 per thousand gallons. The monthly minimum wastewater rate will increase from \$17.75 to \$18.80. The wastewater volume rate will increase from \$4.95 to \$5.25 per thousand gallons of water used.

Requests for Information

The financial report is designed to provide a general overview of the City of McKinney's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, City of McKinney, 222 North Tennessee Street, McKinney, Texas 75069.



BASIC FINANCIAL STATEMENTS



CITY OF MCKINNEY, TEXAS
STATEMENT OF NET POSITION
GOVERNMENT-WIDE
SEPTEMBER 30, 2019

	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	\$ 147,266,638	\$ 51,798,346	\$ 199,064,984	\$ 64,233,377
Investments	34,061,130	13,493,645	47,554,775	7,134,117
Receivables (net of allowance for uncollectibles)	13,508,855	16,132,309	29,641,164	5,137,601
Internal balances	394,567	(394,567)	-	-
Due from other governments	4,811,355	-	4,811,355	-
Inventories	199,357	622,347	821,704	-
Prepaid items	4,517,412	11,447,167	15,964,579	29,494
Restricted:				
Cash and cash equivalents	133,420,675	109,253,904	242,674,579	1,790,687
Investments	-	19,896,785	19,896,785	-
Accrued interest receivable	-	85,256	85,256	-
Capital Assets:				
Nondepreciable	113,801,163	102,668,672	216,469,835	67,536,840
Depreciable (net)	512,757,119	434,144,218	946,901,337	216,604
Total Assets	964,738,271	759,148,082	1,723,886,353	146,078,720
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension outflows	20,973,742	2,641,111	23,614,853	422,806
Deferred OPEB outflows	1,556,416	137,239	1,693,655	21,969
Deferred charge for refunding	1,145,673	602,406	1,748,079	61,874
Excess consideration provided for acquisition	-	4,749,577	4,749,577	-
Total Deferred Outflows of Resources	23,675,831	8,130,333	31,806,164	506,649
LIABILITIES				
Accounts payable	9,133,589	7,332,412	16,466,001	798,542
Other accrued liabilities	8,100,629	3,588,498	11,689,127	65,600
Unearned revenue	1,016,024	-	1,016,024	-
Accrued interest payable	1,382,166	240,840	1,623,006	164,295
Deposits	1,439,539	4,046,542	5,486,081	-
Noncurrent liabilities				
Due within one year				
Compensated absences	775,978	73,153	849,131	11,726
Bonds payable	29,349,291	9,746,520	39,095,811	4,025,000
Capital lease	4,357,042	-	4,357,042	-
Due in more than one year				
Compensated absences	11,482,771	1,082,493	12,565,264	173,502
Bonds payable	247,932,125	138,546,466	386,478,591	43,110,000
Capital lease	195,417	-	195,417	-
Net pension liability	49,527,143	6,236,682	55,763,825	998,408
Total OPEB liability	18,146,794	2,027,999	20,174,793	324,655
Total Liabilities	382,838,508	172,921,605	555,760,113	49,671,728
DEFERRED INFLOWS OF RESOURCES				
Deferred pension inflows	1,020,263	128,260	1,148,523	20,533
Deferred OPEB inflows	129,886	-	129,886	-
Total Deferred Inflows of Resources	1,150,149	128,260	1,278,409	20,533
NET POSITION				
Net investment in capital assets	461,843,548	455,241,220	917,084,768	22,205,301
Restricted for:				
Use of impact fees	-	5,913,858	5,913,858	-
Highways and streets	18,494,348	-	18,494,348	-
Debt service	5,964,590	7,974,994	13,939,584	1,790,687
Capital projects	62,137,151	-	62,137,151	-
Public safety	439,588	-	439,588	-
Community development	15,361,571	-	15,361,571	-
Court	530,241	-	530,241	-
PEG	1,864,718	-	1,864,718	-
Grants and donations	415,799	-	415,799	-
Unrestricted	37,373,891	125,098,478	162,472,369	72,897,120
Total Net Position	\$ 604,425,445	\$ 594,228,550	\$ 1,198,653,995	\$ 96,893,108

The accompanying notes to the basic financial statements are an integral part of this statement.

**CITY OF MCKINNEY, TEXAS
STATEMENT OF ACTIVITIES
GOVERNMENT-WIDE
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
GOVERNMENTAL ACTIVITIES				
General government	\$ 38,767,205	\$ 5,507,427	\$ 488,764	\$ 764,277
Police	38,968,663	116,205	1,381,349	-
Fire	34,465,660	5,521,682	389,857	-
Libraries	4,100,658	53,199	11,012	681,491
Development	12,283,958	9,752,813	766,594	6,960,425
Parks and recreation	20,027,790	5,963,869	412,398	4,808,042
Public works	50,529,535	-	-	22,796,053
Interest on long-term debt	8,593,941	-	-	-
Total Governmental Activities	207,737,410	26,915,195	3,449,974	36,010,288
BUSINESS-TYPE ACTIVITIES				
Water/Wastewater	91,546,894	92,032,171	-	18,808,395
Solid Waste	7,705,838	8,672,740	-	-
Golf Course	79,314	29,642	-	-
Surface Water Drainage	3,054,064	3,907,784	-	-
Airport	12,083,532	9,639,761	50,000	20,204
Total Business-type Activities	114,469,642	114,282,098	50,000	18,828,599
Total Primary Government	\$ 322,207,052	\$ 141,197,293	\$ 3,499,974	\$ 54,838,887
COMPONENT UNITS				
McKinney Economic Development Corp	\$ 7,571,919	\$ -	\$ -	\$ -
McKinney Community Development Corp	4,660,251	-	-	-
McKinney Convention & Visitors Bureau	755,309	-	712,000	-
McKinney Main Street Corp	1,697,848	1,604,729	80,214	-
Total Component Units	\$ 14,685,327	\$ 1,604,729	\$ 792,214	\$ -

GENERAL REVENUES

Property taxes
Sales taxes
Franchise taxes
Other taxes
Unrestricted investment earnings
Gain on sale of property
Miscellaneous
Special item/loss on sale of assets

TRANSFERS

**Total General Revenues, Transfers
and Special Items**

Change in Net Position

Net Position, Beginning of Year

Net Position, End of Year

The accompanying notes to the basic financial statements are an integral part of this statement.

Governmental Activities	Business-type Activities	Total	Component Units
\$ (32,006,737)	\$ -	\$ (32,006,737)	\$ -
(37,471,109)	-	(37,471,109)	-
(28,554,121)	-	(28,554,121)	-
(3,354,956)	-	(3,354,956)	-
5,195,874	-	5,195,874	-
(8,843,481)	-	(8,843,481)	-
(27,733,482)	-	(27,733,482)	-
(8,593,941)	-	(8,593,941)	-
<u>(141,361,953)</u>	<u>-</u>	<u>(141,361,953)</u>	<u>-</u>
-	19,293,672	19,293,672	-
-	966,902	966,902	-
-	(49,672)	(49,672)	-
-	853,720	853,720	-
<u>-</u>	<u>(2,373,567)</u>	<u>(2,373,567)</u>	<u>-</u>
<u>-</u>	<u>18,691,055</u>	<u>18,691,055</u>	<u>-</u>
<u>\$ (141,361,953)</u>	<u>\$ 18,691,055</u>	<u>\$ (122,670,898)</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (7,571,919)
-	-	-	(4,660,251)
-	-	-	(43,309)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,905)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (12,288,384)</u>
\$ 116,385,145	\$ -	\$ 116,385,145	\$ -
30,724,015	-	30,724,015	28,502,110
16,056,901	-	16,056,901	-
340,802	-	340,802	-
8,232,558	5,909,199	14,141,757	1,792,497
-	-	-	1,891,168
692,096	225,067	917,163	34,044
(15,533,759)	-	(15,533,759)	(5,020,112)
4,426,814	(4,426,814)	-	-
<u>161,324,572</u>	<u>1,707,452</u>	<u>163,032,024</u>	<u>27,199,707</u>
19,962,619	20,398,507	40,361,126	14,911,323
<u>584,462,826</u>	<u>573,830,043</u>	<u>1,158,292,869</u>	<u>81,981,785</u>
<u>\$ 604,425,445</u>	<u>\$ 594,228,550</u>	<u>\$ 1,198,653,995</u>	<u>\$ 96,893,108</u>

**CITY OF MCKINNEY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019**

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental
ASSETS					
Cash and cash equivalents	\$ 43,738,031	\$ 5,942,774	\$ 201,058,104	\$ 17,798,130	\$ 268,537,039
Investments	34,061,130	-	-	-	34,061,130
Receivables (net of allowance for uncollectibles)					
Delinquent property taxes	750,516	330,245	-	-	1,080,761
Accounts	1,898,223	3,209	12,437	1,449	1,915,318
Notes	1,156,052	-	-	-	1,156,052
Other taxes and fees	8,462,713	-	-	245,142	8,707,855
Accrued interest	105,656	-	-	-	105,656
Due from other funds	567,567	-	-	-	567,567
Due from other governments	373,784	-	3,952,672	484,899	4,811,355
Inventory	199,357	-	-	-	199,357
Prepaid items	4,513,569	-	-	3,843	4,517,412
Total Assets	\$ 95,826,598	\$ 6,276,228	\$ 205,023,213	\$ 18,533,463	\$ 325,659,502
LIABILITIES					
Accounts payable	\$ 2,263,687	\$ -	\$ 5,328,371	\$ 172,338	\$ 7,764,396
Other accrued liabilities	4,860,784	-	3,052,321	130,842	8,043,947
Deposits	1,439,539	-	-	-	1,439,539
Due to other funds	-	-	-	173,000	173,000
Unearned revenue	978,466	-	37,558	-	1,016,024
Total Liabilities	9,542,476	-	8,418,250	476,180	18,436,906
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	2,704,102	311,638	-	-	3,015,740
Total Deferred Inflows of Resources	2,704,102	311,638	-	-	3,015,740
FUND BALANCES					
NONSPENDABLE:					
Inventory	199,357	-	-	-	199,357
Prepaid items	4,513,569	-	-	3,843	4,517,412
RESTRICTED:					
Debt service	-	5,964,590	-	-	5,964,590
Street construction	-	-	120,407,707	-	120,407,707
Capital projects	-	-	76,197,256	10,542,344	86,739,600
Law enforcement	24,393	-	-	503,467	527,860
Courts	530,241	-	-	-	530,241
Fire	-	-	-	41,659	41,659
PEG	-	-	-	1,864,718	1,864,718
Library	-	-	-	75,015	75,015
Community housing	-	-	-	204,597	204,597
Parks	-	-	-	109	109
Hotel/Motel	-	-	-	4,610,787	4,610,787
Transit	-	-	-	183,121	183,121
Grants	-	-	-	27,623	27,623
ASSIGNED:					
APEX	1,095,519	-	-	-	1,095,519
Capital equip replacement	10,018,610	-	-	-	10,018,610
Disaster relief	516,552	-	-	-	516,552
OPEB	5,511,473	-	-	-	5,511,473
Public & performing arts	464,845	-	-	-	464,845
UNASSIGNED	60,705,461	-	-	-	60,705,461
Total Fund Balances	83,580,020	5,964,590	196,604,963	18,057,283	304,206,856
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 95,826,598	\$ 6,276,228	\$ 205,023,213	\$ 18,533,463	\$ 325,659,502

The accompanying notes to the basic financial statements are an integral part of this statement.

**CITY OF MCKINNEY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2019**

Fund balances of governmental funds	\$ 304,206,856
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Amounts reported for governmental activities in the statement of net position are different because:

Receivables not measureable and available within 60 days of year-end, and therefore are unavailable in the fund financial statements.	3,015,740
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Capital assets (net of accumulated depreciation) used in governmental activities are not current financial resources and therefore are not reported as assets in the governmental funds. Capital assets are reported in the government-wide financial statements, net of accumulated depreciation.	626,558,282
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Deferred outflows of resources and deferred inflows of resources represent flows of resources which relate to future periods and, therefore, are not reported in the fund financial statements. Deferred outflows of resources and deferred inflows of resources at year-end consist of:

Deferred pension outflows (GASB 68)	20,973,742	
Deferred OPEB outflows (GASB 75)	1,556,416	
Deferred charge on refunding	1,145,673	
Deferred pension inflows (GASB 68)	(1,020,263)	
Deferred OPEB inflows (GASB 67)	(129,886)	
	22,525,682	

Internal service funds are used by management to charge the costs of certain activities, including self-insurance, to appropriate function in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	11,267,612
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Interest payable on long-term debt does not require current financial resources, therefore interest payable is not reported as a liability in the governmental funds balance sheet.	(1,382,166)
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Long-term liabilities, including bonds payable and net pension liability are not due and payable in the current period and therefore are not reported in the fund financial statements. Long-term liabilities at year-end consist of:

General and certificates of obligation bonds and tax notes	(254,210,000)	
Bond premiums	(23,071,416)	
Capital leases	(4,552,459)	
Net pension liability	(49,527,143)	
Total OPEB liability	(18,146,794)	
Compensated absences	(12,258,749)	
	(361,766,561)	

NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 604,425,445
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CITY OF MCKINNEY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental
REVENUES					
Property taxes	\$ 78,827,663	\$ 35,746,344	\$ -	\$ 1,545,436	\$ 116,119,443
Sales and use taxes	26,624,690	-	-	4,099,325	30,724,015
Franchise fees	16,071,697	-	-	-	16,071,697
Other taxes and fees	-	-	-	340,802	340,802
Licenses and permits	10,621,061	-	-	-	10,621,061
Intergovernmental	1,211,587	-	4,927,033	1,885,138	8,023,758
Charges for services	13,286,467	-	690,859	33,095	14,010,421
Fines and forfeitures	1,875,590	-	-	101,895	1,977,485
Investment income	2,933,311	615,019	4,301,535	382,693	8,232,558
Contributions	479,138	-	13,898,366	63,698	14,441,202
Miscellaneous	460,907	-	227,287	3,902	692,096
Total Revenues	152,392,111	36,361,363	24,045,080	8,455,984	221,254,538
EXPENDITURES					
Current:					
General government	30,795,505	-	1,846,071	1,339,010	33,980,586
Police	35,571,578	-	-	235,941	35,807,519
Fire	30,284,799	-	-	520,609	30,805,408
Libraries	3,613,748	-	-	10,734	3,624,482
Development	11,010,882	-	-	779,042	11,789,924
Parks and recreation	14,285,713	-	17,326	5,796	14,308,835
Public works	11,615,586	-	7,992,693	-	19,608,279
Debt Service:					
Principal retirement	850,736	25,150,000	-	-	26,000,736
Interest and fiscal charges	154,062	10,756,717	520,954	-	11,431,733
Capital expenditures:					
General government	8,034,023	-	5,817,891	113,411	13,965,325
Police	2,117,722	-	1,905,296	50,114	4,073,132
Fire	2,735,427	-	5,909,589	87,207	8,732,223
Libraries	-	-	2,337,301	-	2,337,301
Development	184,195	-	-	7,095	191,290
Parks and recreation	805,904	-	9,993,657	-	10,799,561
Public works	1,423,876	-	13,131,225	-	14,555,101
Total Expenditures	153,483,756	35,906,717	49,472,003	3,148,959	242,011,435
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,091,645)	454,646	(25,426,923)	5,307,025	(20,756,897)
OTHER FINANCING SOURCES (USES)					
Issuance of long-term debt	-	15,534,126	43,520,874	-	59,055,000
Issuance of capital lease	4,600,000	-	-	-	4,600,000
Deposit to bond refunding escrow account	-	(17,041,496)	-	-	(17,041,496)
Premium on issuance of debt	-	1,466,500	6,218,225	-	7,684,725
Proceeds from sale of property	332,871	-	-	-	332,871
Transfers in	6,915,000	-	5,742,620	113,200	12,770,820
Transfers out	(4,068,820)	-	-	(4,119,010)	(8,187,830)
Total Other Financing Sources (Uses)	7,779,051	(40,870)	55,481,719	(4,005,810)	59,214,090
Net change in fund balances	6,687,406	413,776	30,054,796	1,301,215	38,457,193
Fund balances, beginning of year	76,892,614	5,550,814	166,550,167	16,756,068	265,749,663
Fund Balances, End of Year	\$ 83,580,020	\$ 5,964,590	\$ 196,604,963	\$ 18,057,283	\$ 304,206,856

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF MCKINNEY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO
THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Net change in fund balances – total governmental funds \$ 38,457,193

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlay recorded as capital assets in the current period. 54,653,933

Governmental funds do not recognize contributed capital assets. However, in the statement of activities the fair market value of those assets are recognized as revenue, then allocated over their estimated useful lives and reported as depreciation expense. 16,995,302

Depreciation expense on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds. (43,490,479)

Current year principal payments of long-term liabilities are shown as expenditures in the fund financial statements, but shown as reductions in long-term liabilities in the government-wide financial statements as follows:

General and certificates of obligation bonds	25,150,000	
Capital lease	850,736	26,000,736

The issuance of long-term debt, such as bonds and capital leases, are shown as "Other Sources" and "Other Uses" in the governmental funds, but are shown on the statement of net position as debt obligations with corresponding balances amortized over the life of the bonds. Issuance of long-term debt and recognition and amortization of these differences consist of the following:

Issuance of long term-debt	(42,013,504)	
Issuance of capital lease	(4,600,000)	
Recognition of premium on debt issuance	(7,684,725)	
Amortization of refunding loss	(271,235)	
Amortization of bond premium	3,170,070	(51,399,394)

Current year pension and OPEB expenditures are reported on the fiscal year basis on the governmental statement of revenues, expenditures and changes in fund balance and as actuarially determined in the government-wide statement of activities. (5,258,042)

Current year change in long-term liability for compensated absences does not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds. (379,838)

Current year changes in accrued interest payable do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds. (61,043)

Internal service funds are used by management to share the costs of certain activities including self-insurance to individual funds. 1,542,756

In the governmental fund financial statements the proceeds from sale of assets are shown as an increase in financial resources. In the government-wide financial statements, the gain or loss is calculated and reported. (16,218,846)

Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds. This is the net change in these revenues for the year. (879,659)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 19,962,619

CITY OF MCKINNEY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES BUDGET (GAAP BASIS) AND ACTUAL GENERAL FUND
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 78,538,131	\$ 78,567,309	\$ 78,827,663	\$ 260,354
Sales and use taxes	26,821,000	26,598,433	26,624,690	26,257
Franchise fees	15,970,125	16,465,548	16,071,697	(393,851)
Licenses and permits	12,120,300	11,744,700	10,621,061	(1,123,639)
Intergovernmental	1,369,258	1,194,735	1,211,587	16,852
Charges for services	12,223,676	12,683,620	13,286,467	602,847
Fines and forfeitures	1,935,500	2,004,264	1,875,590	(128,674)
Investment income	1,880,000	2,747,700	2,933,311	185,611
Contributions	463,844	473,144	479,138	5,994
Miscellaneous	340,048	440,400	460,907	20,507
Total Revenues	151,661,882	152,919,853	152,392,111	(527,742)
EXPENDITURES				
General government	32,511,850	38,821,425	38,829,528	(8,103)
Police	39,042,530	38,412,361	37,689,300	723,061
Fire	33,787,256	33,047,308	34,025,024	(977,716)
Libraries	3,599,247	3,715,086	3,613,748	101,338
Development	12,407,548	12,370,687	11,195,077	1,175,610
Parks and recreation	16,026,105	16,126,738	15,091,617	1,035,121
Public works	14,207,456	14,390,637	13,039,462	1,351,175
Total Expenditures	151,581,992	156,884,242	153,483,756	3,400,486
Excess (Deficiency) of Revenues Over (Under) Expenditures	79,890	(3,964,389)	(1,091,645)	2,872,744
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of property	282,000	282,000	332,871	50,871
Issuance of capital lease	-	-	4,600,000	4,600,000
Transfers in	2,894,764	6,758,824	6,915,000	156,176
Transfers out	(3,885,779)	(4,146,160)	(4,068,820)	77,340
Total Other Financing Sources (Uses)	(709,015)	2,894,664	7,779,051	4,884,387
Net change in fund balance	(629,125)	(1,069,725)	6,687,406	7,757,131
Fund balance, beginning of year	76,892,614	76,892,614	76,892,614	-
Fund Balance, End of Year	\$ 76,263,489	\$ 75,822,889	\$ 83,580,020	\$ 7,757,131

The accompanying notes to the basic financial statements are an integral part of this statement.



CITY OF MCKINNEY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2019

	Business-type Activities- Enterprise Funds				Governmental Activities
	Water and Wastewater	Airport	Other Enterprise Funds	Total	Internal Service Funds
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 31,853,770	\$ 3,648,735	\$ 16,295,841	\$ 51,798,346	\$ 12,080,274
Investments	11,494,625	-	1,999,020	13,493,645	-
Restricted assets:					
Cash and cash equivalents	104,895,891	4,348,013	10,000	109,253,904	70,000
Accrued interest receivable	75,207	-	10,049	85,256	-
Receivables (net of allowance for uncollectibles)	14,011,378	53,390	1,989,210	16,053,978	543,213
Accrued interest receivable	78,331	-	-	78,331	-
Due from other funds	15,239	-	-	15,239	-
Notes receivable - interfund	-	-	5,303,545	5,303,545	-
Inventory	501,932	120,415	-	622,347	-
Prepaid items	884,881	10,301,386	260,900	11,447,167	-
Total Current Assets	163,811,254	18,471,939	25,868,565	208,151,758	12,693,487
Noncurrent assets:					
Restricted assets:					
Investments	19,896,785	-	-	19,896,785	-
Total Restricted Assets	19,896,785	-	-	19,896,785	-
Capital assets:					
Land	10,251,079	41,549,244	566,509	52,366,832	-
Buildings	11,972,381	32,028,578	1,653,284	45,654,243	-
Improvements other than buildings	468,464,913	65,581,408	2,912,297	536,958,618	-
Machinery and equipment	11,637,447	1,621,896	2,431,542	15,690,885	-
Construction in progress	49,821,509	479,719	612	50,301,840	-
Less accumulated depreciation	(123,981,424)	(35,476,124)	(4,701,980)	(164,159,528)	-
Total Capital Assets (Net of Accumulated Depreciation)	428,165,905	105,784,721	2,862,264	536,812,890	-
Total Noncurrent Assets	448,062,690	105,784,721	2,862,264	556,709,675	-
Total Assets	611,873,944	124,256,660	28,730,829	764,861,433	12,693,487
DEFERRED OUTFLOWS OF RESOURCES					
Deferred pension outflows	1,694,772	392,817	553,522	2,641,111	-
Deferred OPEB outflows	88,064	20,412	28,763	137,239	-
Deferred charge for refunding	602,406	-	-	602,406	-
Excess consideration provided for acquisition	-	4,749,577	-	4,749,577	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 2,385,242	\$ 5,162,806	\$ 582,285	\$ 8,130,333	\$ -

(continued)

The accompanying notes to the basic financial statements are an integral part of this statement.

	Business-type Activities- Enterprise Funds				Governmental Activities
	Water and Wastewater	Airport	Other Enterprise Funds	Total	Internal Service Funds
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 3,741,079	\$ 237,842	\$ 387,369	\$ 4,366,290	\$ 1,369,193
Other accrued liabilities	463,997	71,183	945,522	1,480,702	56,682
Due to other funds	357,885	-	51,921	409,806	-
Note payable- interfund, current	-	355,350	52,292	407,642	-
Compensated absences	47,625	9,021	16,507	73,153	-
Accrued interest payable	240,840	-	-	240,840	-
Total Current Liabilities Unrestricted	4,851,426	673,396	1,453,611	6,978,433	1,425,875
LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)					
Accounts payable	2,883,616	82,506	-	2,966,122	-
Revenue bonds payable, current	9,746,520	-	-	9,746,520	-
Other accrued liabilities	2,107,796	-	-	2,107,796	-
Deposits	3,905,684	130,858	10,000	4,046,542	-
Total Current Liabilities (Payable from Restricted Assets)	18,643,616	213,364	10,000	18,866,980	-
Total Current Liabilities	23,495,042	886,760	1,463,611	25,845,413	1,425,875
NONCURRENT LIABILITIES					
Compensated absences	704,745	133,491	244,257	1,082,493	-
Note payable- interfund	-	4,319,150	576,753	4,895,903	-
Revenue bonds, certificates of obligation payable	138,546,466	-	-	138,546,466	-
Net pension liability	4,002,011	927,592	1,307,079	6,236,682	-
Total OPEB liability	1,301,344	301,628	425,027	2,027,999	-
Total Noncurrent Liabilities	144,554,566	5,681,861	2,553,116	152,789,543	-
TOTAL LIABILITIES	168,049,608	6,568,621	4,016,727	178,634,956	1,425,875
DEFERRED INFLOWS OF RESOURCES					
Deferred pension inflows	82,303	19,076	26,881	128,260	-
NET POSITION					
Net investment in capital assets	346,676,741	105,702,215	2,862,264	455,241,220	-
Restricted for:					
Use of impact fees	5,913,858	-	-	5,913,858	-
Debt service	7,974,994	-	-	7,974,994	-
Unrestricted	85,561,682	17,129,554	22,407,242	125,098,478	11,267,612
TOTAL NET POSITION	\$ 446,127,275	\$ 122,831,769	\$ 25,269,506	\$ 594,228,550	\$ 11,267,612

CITY OF MCKINNEY, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Business-type Activities – Enterprise Funds				Governmental Activities
	Water and Wastewater	Airport	Other Enterprise Funds	Total	Internal Service Funds
OPERATING REVENUES					
Charges for services	\$ 92,032,171	\$ 9,639,761	\$ 12,610,166	\$ 114,282,098	\$ 26,334,716
Intergovernmental	-	50,000	-	50,000	-
Miscellaneous	58,571	-	115,587	174,158	552,678
Total Operating Revenues	92,090,742	9,689,761	12,725,753	114,506,256	26,887,394
OPERATING EXPENSES					
Personnel services	9,389,563	2,158,748	2,878,128	14,426,439	1,044,296
Materials, supplies and services	577,673	3,875,666	127,479	4,580,818	24,727,998
Maintenance	2,351,603	262,604	321,215	2,935,422	4,425
Purchase of water	54,249,763	-	-	54,249,763	-
Contract payments	5,229,837	500,482	7,224,379	12,954,698	-
Office rental	171,178	-	-	171,178	-
Utilities	1,058,680	166,430	2,839	1,227,949	38,669
Depreciation and amortization	10,680,357	4,397,846	166,531	15,244,734	28,480
Other	2,790,403	647,256	118,645	3,556,304	18,734
Total Operating Expenses	86,499,057	12,009,032	10,839,216	109,347,305	25,862,602
Operating Income (Loss)	5,591,685	(2,319,271)	1,886,537	5,158,951	1,024,792
NONOPERATING REVENUES (EXPENSES)					
Investment earnings	5,257,648	165,352	486,199	5,909,199	337,601
Interest and fiscal charges	(5,047,837)	(74,500)	-	(5,122,337)	-
Gain on dissolution of fund	-	-	-	-	360,427
Gain (loss) from disposal of assets	41,566	-	9,343	50,909	(23,888)
Total Nonoperating Revenues (Expenses)	251,377	90,852	495,542	837,771	674,140
Income (Loss) Before Contributions and Transfers	5,843,062	(2,228,419)	2,382,079	5,996,722	1,698,932
Contributions	18,808,395	20,204	-	18,828,599	-
Transfers in	-	213,000	77,789	290,789	-
Transfers out	(4,089,469)	-	(628,134)	(4,717,603)	(156,176)
Change in Net Position	20,561,988	(1,995,215)	1,831,734	20,398,507	1,542,756
Net Position, Beginning of Year	425,565,287	124,826,984	23,437,772	573,830,043	9,724,856
Net Position, End of Year	\$ 446,127,275	\$ 122,831,769	\$ 25,269,506	\$ 594,228,550	\$ 11,267,612

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF MCKINNEY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Business-type Activities				Governmental Activities
	Water and Wastewater	Airport	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
CASH FROM OPERATING ACTIVITIES					
Cash received from customers and users	\$ 89,502,716	\$ 9,653,904	\$ 12,601,500	\$ 111,758,120	\$ 26,167,733
Other operating revenues (expenses)	58,571	82,291	114,178	255,040	552,678
Cash payments to employees for services	(7,241,853)	(1,650,969)	(2,182,086)	(11,074,908)	(986,127)
Cash payments to suppliers for goods and services	(64,270,153)	(6,108,542)	(7,841,767)	(78,220,462)	(24,400,401)
Payments for services provided by other funds	(2,319,068)	(465,430)	(591,836)	(3,376,334)	-
Net Cash Provided by Operating Activities	15,730,213	1,511,254	2,099,989	19,341,456	1,333,883
CASH FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	-	213,000	77,789	290,789	-
Transfers to other funds	(3,962,738)	-	(628,134)	(4,590,872)	(180,064)
Net Cash Provided by (Used in) Noncapital Financing Activities	(3,962,738)	213,000	(550,345)	(4,300,083)	(180,064)
CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal paid on bonds	(6,305,000)	-	-	(6,305,000)	-
Issuance of bonds	36,422,793	-	-	36,422,793	-
Principal paid on interfund loans	-	(325,500)	(51,392)	(376,892)	-
Payments received on loans to component units	-	-	815,999	815,999	-
Proceeds from advances from other funds	-	-	376,892	376,892	-
Interest and fiscal charges paid on debt	(6,479,804)	(74,500)	-	(6,554,304)	-
Acquisition and construction of capital assets	(32,983,116)	(699,773)	(679,065)	(34,361,954)	-
Proceeds from the sale of assets	41,566	-	9,343	50,909	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	(9,303,561)	(1,099,773)	471,777	(9,931,557)	-
CASH FROM INVESTING ACTIVITIES					
Purchase of investments	(3,796,024)	-	-	(3,796,024)	4,972,960
Proceeds from sale and maturities of investments	29,800,000	-	-	29,800,000	-
Purchase of investments	-	-	(33,034)	(33,034)	-
Investment income	5,325,210	165,352	486,199	5,976,761	337,601
Net Cash Provided by Investing Activities	31,329,186	165,352	453,165	31,947,703	5,310,561
Net Increase in Cash and Cash Equivalents	33,793,100	789,833	2,474,586	37,057,519	6,464,380
Cash and Cash Equivalents, Beginning of Year	102,956,561	7,206,915	13,831,255	123,994,731	5,685,894
Cash and Cash Equivalents, End of Year	\$ 136,749,661	\$ 7,996,748	\$ 16,305,841	\$ 161,052,250	\$ 12,150,274
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION					
Cash and cash equivalents	\$ 31,853,770	\$ 3,648,735	\$ 16,295,841	\$ 51,798,346	\$ 12,080,274
Restricted cash and cash equivalents	104,895,891	4,348,013	10,000	109,253,904	70,000
Total Cash and Cash Equivalents	\$ 136,749,661	\$ 7,996,748	\$ 16,305,841	\$ 161,052,250	\$ 12,150,274
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Operating income (loss)	\$ 5,591,685	\$ (2,319,271)	\$ 1,886,537	\$ 5,158,951	\$ 1,024,792
ADJUSTMENT TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Depreciation and amortization	10,680,357	4,397,846	166,531	15,244,734	28,480
(Increases) decreases in assets and deferred outflows:					
Accounts receivable	(2,774,241)	(20,629)	(10,075)	(2,804,945)	(166,983)
Prepaid expenses	(884,481)	(298,774)	(259,627)	(1,442,882)	13,983
Due from other governments	-	32,291	-	32,291	9,743
Inventory	(172,114)	(24,002)	-	(196,116)	-
Deferred pension outflows	(874,300)	(202,647)	(285,551)	(1,362,498)	(170,930)
Deferred OPEB outflows	(34,183)	(7,922)	(11,165)	(53,270)	(3,928)
Increases (decreases) in liabilities and deferred inflows:					
Accounts payable	1,217,085	12,104	(356,185)	873,004	365,699
Accrued liabilities	1,366,483	(443,278)	466,878	1,390,083	-
Due to other funds	-	-	22,701	22,701	-
Deposits	244,786	34,772	-	279,558	-
Liability for compensated absences	75,559	50,936	57,455	183,950	13,919
Net pension liability	1,581,346	366,527	516,476	2,464,349	181,706
Total OPEB liability	137,731	31,924	44,984	214,639	15,826
Deferred pension inflows	(425,500)	(98,623)	(138,970)	(663,093)	21,576
Total adjustments	10,138,528	3,830,525	213,452	14,182,505	309,091
Net Cash Provided by Operating Activities	\$ 15,730,213	\$ 1,511,254	\$ 2,099,989	\$ 19,341,456	\$ 1,333,883
SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES					
Contributions of capital assets	\$ 18,808,395	\$ 20,204	\$ -	\$ 18,828,599	\$ -

The accompanying notes to the basic financial statements are an integral part of this statement.

**CITY OF MCKINNEY, TEXAS
STATEMENT OF AGENCY ASSETS AND LIABILITIES
FIDUCIARY FUND
SEPTEMBER 30, 2019**

	Agency Fund
	BB Owen Park
ASSETS	
Cash and cash equivalents	<u>\$ 1,227,756</u>
Total Assets	<u><u>\$ 1,227,756</u></u>
LIABILITIES	
Developer escrows	<u>\$ 1,227,756</u>
Total Liabilities	<u><u>\$ 1,227,756</u></u>

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF MCKINNEY, TEXAS
STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
SEPTEMBER 30, 2019

	McKinney Economic Dev. Corp	McKinney Community Dev. Corp	McKinney Convention & Visitors Bureau	McKinney Main Street Corporation	Total
ASSETS					
Cash and cash equivalents	\$ 8,939,397	\$ 54,298,826	\$ 66,310	\$ 928,844	\$ 64,233,377
Investments	4,003,960	3,130,157	-	-	7,134,117
Receivables (net of allowance for uncollectibles)	2,571,145	2,565,066	-	1,390	5,137,601
Prepaid items	5,528	2,977	3,800	17,189	29,494
Restricted assets- cash and cash equivalents	1,790,687	-	-	-	1,790,687
Capital assets, non depreciable	66,905,887	630,953	-	-	67,536,840
Capital assets, net of accumulated depreciation	30,353	133,536	-	52,715	216,604
Total Assets	84,246,957	60,761,515	70,110	1,000,138	146,078,720
DEFERRED OUTFLOWS OF RESOURCES					
Deferred pension outflows	290,582	46,804	85,420	-	422,806
Deferred OPEB outflows	15,099	2,432	4,438	-	21,969
Deferred charge on refunding	61,874	-	-	-	61,874
Total Deferred Outflows of Resources	367,555	49,236	89,858	-	506,649
LIABILITIES					
Accounts payable	92,240	9,582	9,995	686,725	798,542
Other accrued liabilities	38,974	10,790	15,836	-	65,600
Accrued interest payable	75,391	88,904	-	-	164,295
Noncurrent liabilities					
Due within one year					
Compensated absences	5,082	2,558	4,086	-	11,726
Bonds payable	3,015,000	1,010,000	-	-	4,025,000
Due in more than one year					
Compensated absences	75,197	37,847	60,458	-	173,502
Bonds payable	23,730,000	19,380,000	-	-	43,110,000
Net pension liability	686,178	110,520	201,710	-	998,408
Total OPEB liability	223,126	35,938	65,591	-	324,655
Total Liabilities	27,941,188	20,686,139	357,676	686,725	49,671,728
DEFERRED INFLOWS OF RESOURCES					
Deferred pension inflows	14,112	2,273	4,148	-	20,533
Total Deferred Inflows of Resources	14,112	2,273	4,148	-	20,533
NET POSITION					
Net investment in capital assets	41,778,098	(19,625,512)	-	52,715	22,205,301
Restricted for debt service	1,790,687	-	-	-	1,790,687
Unrestricted	13,090,427	59,747,851	(201,856)	260,698	72,897,120
Total Net Position	\$ 56,659,212	\$ 40,122,339	\$ (201,856)	\$ 313,413	\$ 96,893,108

The accompanying notes to the basic financial statements are an integral part of this statement.

CITY OF MCKINNEY, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
McKinney Economic Development Corporation	\$ 7,571,919	\$ -	\$ -	\$ -
McKinney Community Development Corporation	4,660,251	-	-	-
McKinney Convention & Visitors Bureau	755,309	-	712,000	-
McKinney Main Street Corporation	1,697,848	1,604,729	80,214	-
Total Component Units	\$ 14,685,327	\$ 1,604,729	\$ 792,214	\$ -
General revenues				
Sales taxes				
Investment income				
Gain on sale of asset				
Miscellaneous				
Special item/loss on sale of assets				
Total General Revenues and Special Item				
Change in Net Position				
Net Position, Beginning of Year				
Net Position, End of Year				

The accompanying notes to the basic financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position				
Component Units				
McKinney Economic Dev. Corp	McKinney Community Dev. Corp	McKinney Convention & Visitors Bureau	McKinney Main Street Corporation	Total
\$ (7,571,919)	\$ -	\$ -	\$ -	\$ (7,571,919)
-	(4,660,251)	-	-	(4,660,251)
-	-	(43,309)	-	(43,309)
-	-	-	(12,905)	(12,905)
<u>\$ (7,571,919)</u>	<u>\$ (4,660,251)</u>	<u>\$ (43,309)</u>	<u>\$ (12,905)</u>	<u>\$ (12,288,384)</u>
\$ 14,251,055	\$ 14,251,055	\$ -	\$ -	\$ 28,502,110
416,242	1,376,011	244	-	1,792,497
1,891,168	-	-	-	1,891,168
29,783	-	4,261	-	34,044
-	(5,020,112)	-	-	(5,020,112)
<u>16,588,248</u>	<u>10,606,954</u>	<u>4,505</u>	<u>-</u>	<u>27,199,707</u>
9,016,329	5,946,703	(38,804)	(12,905)	14,911,323
<u>47,642,883</u>	<u>34,175,636</u>	<u>(163,052)</u>	<u>326,318</u>	<u>81,981,785</u>
<u>\$ 56,659,212</u>	<u>\$ 40,122,339</u>	<u>\$ (201,856)</u>	<u>\$ 313,413</u>	<u>\$ 96,893,108</u>



CITY OF MCKINNEY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of McKinney (City) was incorporated in 1848. The City operates under a Council- Manager form of government and provides the following services as authorized by its charter: public safety, public works, public health and welfare, culture, recreation and waterworks.

The City reports in accordance with accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board (GASB). The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the notes are organized to provide concise explanation, including required disclosures of budgetary matters, assets, liabilities, fund equity, revenues, expenditures/expenses and other information considered important to gaining a clear picture of the City's financial activities for the fiscal year ended September 30, 2019.

A. Financial Statement Presentation

The basic financial statements are prepared in conformity with GASB Statement No. 34 which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities, business-type activities and activities of its discretely presented component units on the statement of net position and statement of activities. Significantly, the City's statement of net position includes both noncurrent assets and noncurrent liabilities of the City. In addition, the government-wide statement of activities reflects depreciation expenses on the City's capital assets, including infrastructure.

In addition to the government-wide financial statements, the City has prepared fund financial statements, which use the modified accrual basis of accounting and the current financial resources measurement focus for the governmental funds. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The City also presents Management's Discussion and Analysis which includes an analytical overview of the City's financial activities. In addition, budgetary comparison statements are presented that compare the original adopted and final amended budgets with actual results for adopted funds.

B. Financial Reporting Entity

The City's basic financial statements include the accounts of all City operations. In evaluating how to define the government for financial reporting purposes, management has considered all entities for which the City is considered to be financially accountable. The City is governed by an elected mayor and six-member council. As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the City's operations; therefore, data from these units are combined with data of the City. Discrete component units are legally separate entities that are not considered part of the City's operations; therefore, data from these units are shown separately from the data of the City.

CITY OF MCKINNEY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Blended Component Units

The McKinney Urban Transit District (MUTD) is a blended component unit presented as a non-major special revenue fund of the City. The governing body of the MUTD consists of the seven City of McKinney councilmembers and one representative from each of the district members including the Collin County Commissioners' Court, the City of Celina, the City of Lowry Crossing, the City of Melissa, the City of Princeton and the City of Prosper. The MUTD budget is subject to approval of the City of McKinney Council. The MUTD budget is financed primarily by state/federal grants and member contributions and has a September 30 year-end. The purpose of the MUTD is to provide transportation to residents of McKinney, Melissa, Princeton, Lowry Crossing, Celina and Prosper who are 65 years of age or older or are disabled.

The McKinney Housing Finance Corporation (MHFC) is a blended component unit presented as a non-major special revenue fund. The governing body of the MHFC is appointed by the City Council and the MHFC's budget is subject to approval of the City Council. The MHFC finances the cost of residential ownership and development on behalf of the City to provide decent, safe and sanitary housing for City residents at affordable prices. MHFC budget is financed primarily by developer fees and has a September 30 year-end.

Discretely Presented Component Units

The McKinney Economic Development Corporation (MEDC) is a discretely presented component unit in the basic financial statements. The governing body of the MEDC is appointed by the City Council and the MEDC's operating budget is subject to approval of the City Council. The City does not have a voting majority of the corporation. The purpose of the MEDC is to aid, promote and further the economic development within the City. The MEDC is financed with a voter-approved half-cent city sales tax. The MEDC has a September 30 year-end. Under a contract with the MEDC, the City performs financial services for the MEDC. There are no separately issued financial statements of the MEDC, which is reported as a governmental fund.

The McKinney Community Development Corporation (MCDC) is a discretely presented component unit in the basic financial statements. The MCDC is governed by a seven-member board appointed by the City Council and at least three board members cannot be City employees or Council members. The City does not have a voting majority of the corporation. The purpose of the MCDC is to identify and fund public projects to maintain or enhance the quality of life reflecting hometown values and priorities, visionary planning, balanced needs, and fiscal responsibility for current and future residents, visitors and businesses of our community. The MCDC is financed with a voter-approved half-cent city sales tax. The MCDC has a September 30 year-end. Under a contract with the MCDC, the City performs financial services for the MCDC. There are no separately issued financial statements of the MCDC, which is reported as a governmental fund.

The McKinney Main Street (MMS) is a discretely presented component unit in the basic financial statements. The governing body of MMS is appointed by the City Council and the MMS's budget is subject to approval of the City Council. MMS budget is financed primarily by events held in the Downtown McKinney area. MMS is a separate legal entity from the City and its sole purpose is to promote McKinney's vibrant downtown area. MMS has a September 30 year-end. MMS financial services are decentralized from the City. There are no separately issued financial statements of MMS.

CITY OF MCKINNEY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

The McKinney Convention & Visitors Bureau (MCVB) is a discretely presented component unit in the basic financial statements. The governing body of the MCVB is appointed by the City Council and the MCVB's budget is subject to approval of the City Council. The MCVB budget is financed primarily by hotel/motel occupancy taxes. The MCVB is a separate legal entity from the City and its sole purpose is to promote McKinney as the destination of choice. The MCVB has a September 30 year-end. Under a contract with the MCVB, the City performs financial services for the MCVB. There are no separately issued financial statements of the MCVB. All discretely presented component units were deemed to be major component units for presentation purposes.

C. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (*i.e.*, the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support. Additionally, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Police, Fire, Public Works, etc.) or program are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or program. Program revenues include: a) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or program, b) grants and contributions that are restricted to meeting the operational requirements of a particular function or program, or c) grants and contributions that are restricted to meeting the capital requirements of a particular function or program. Taxes and other items properly not included among program revenues are reported instead as general revenues. Internally dedicated resources are also reported as general revenues rather than as program revenues.

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund's financial statements. The major governmental funds are the general fund, debt service fund, and the capital projects fund. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements. The nonmajor funds are detailed in the combining section of the statements.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are franchise fees and other charges between the government's water and wastewater function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF MCKINNEY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and wastewater enterprise fund, airport fund, and other proprietary funds are charges to customers for sales and services. The water and wastewater fund also recognize, as operating revenue, the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting the definition are reported as nonoperating revenues and expenses.

Internal service funds are used to allocate associated costs of centralized services on a cost-reimbursement basis. The services provided to other City departments include providing risk financing and insurance-related activities and fleet maintenance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The government-wide and proprietary fund financial statements follow the accounting set forth by the Governmental Accounting Standards Board.

Governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. The governmental fund financial statements follow the accounting set forth by the Governmental Accounting Standards Board.

Property taxes, franchise fees, sales taxes, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

CITY OF MCKINNEY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

E. Fund Accounting

The following major funds are used by the City:

1. Governmental Funds:

Governmental Funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following is a description of the major Governmental Funds of the City:

- a. **The General Fund** is the operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.
- b. **The Debt Service Fund** is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt paid from taxes levied by the City.
- c. **The Capital Projects Fund** consists of various types of financial resources and is utilized in the acquiring or constructing of capital infrastructure within the City. These include facilities, streets, stormwater drainage, libraries, public safety, parks, recreation and technology.

Other Governmental Funds is a summarization of all of the nonmajor governmental funds.

2. Proprietary Funds:

Proprietary Funds are accounted for using an economic resources measurement focus. The accounting objectives are a determination of change in net position, financial position and changes in cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its statement of net position.

The proprietary funds are financed and operated in a manner similar to private business enterprise. The costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges. Periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

- a. **The Water and Wastewater Fund** is used to account for the operations of the water and wastewater system.
- b. **The Airport Fund** is used to account for the operations of the airport.

Other Proprietary Funds is a summarization of all of the nonmajor proprietary funds.

CITY OF MCKINNEY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Two Internal Service Funds are used to account for the financing of services provided by one department to other departments of the City on a cost reimbursement basis. The insurance claims self-funded program of the City is accounted for in the **Insurance and Risk Management Fund**. Accrued liabilities include provisions for claims reported and claims incurred but not reported. The provision for reported claims is determined by estimating the amount which will ultimately be paid to each claimant. The provision for claims incurred but not yet reported is estimated based on City experience since the inception of the programs and data provided by actuarial consultants. Costs associated with maintenance of the City's operation and service vehicles are accounted for in the **Fleet Maintenance Fund**.

3. Agency Fund:

The City is the trustee, or fiduciary, for certain amounts held on behalf of developers, property owners, and others. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Position. The activities of these funds are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported are used for their intended purpose.

F. Cash, Cash Equivalents and Investments

Cash of all funds, excluding the City's payroll clearing account, law enforcement bank account, EMS account, flexible spending account and certain escrow accounts, is pooled into a common interest earning bank account in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled cash has equity therein, and interest earned on these monies is allocated based upon relative equity at each month end.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The City may invest in certificates of deposit, authorized investment pools and funds, U.S. Government Securities, commercial paper, and repurchase agreements. Investments are recorded at amortized cost, and at fiscal year-end investments with original maturity greater than one year are reflected at fair value on the accompanying government-wide and fund financial statements.

Realized gains and losses on investments that have been held during more than one fiscal year, and sold in the current, were included as a change in the fair value of the investments reported in the prior year and the current year. Management's intent is to hold all investments to maturity.

In accordance with GASB Statement No. 31, the City's general policy is to report short-term treasury securities, U.S. government backed securities which have a remaining term of one year or less at time of purchase, and money market mutual funds at amortized costs.

G. Inventories and Prepaid Items

Inventory is valued at cost (first-in, first-out). The cost of governmental fund type inventory is recorded as an expenditure when consumed rather than when purchased. Reported inventories are also classified as nonspendable fund balance, which indicates that they do not constitute "available, spendable resources" even though they are a component of fund balance. The City is not required to maintain a minimum level of inventory. Inventories in the Proprietary Funds consist of supplies and fuel and are recorded at the lower of cost or market.

CITY OF MCKINNEY, TEXAS
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Prepaid balances are for payments made by the City for which benefits extend beyond September 30, 2019, and the related nonspendable fund balance amount has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures. The cost of governmental fund type prepaid balances is recorded as an expenditure when consumed rather than when purchased.

H. Interfund Receivables and Payables

Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts and are reported as “due to/from other funds.” Long-term advances between funds are reported as “advances to/from other funds” and represent the noncurrent portion of interfund loans.

Legally authorized transfers are treated as transfers and are included in the results of operations of both governmental and proprietary funds.

I. Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The Utility Capital Projects Fund is used to report those proceeds of revenue bond issuances that are restricted for use in construction. The Revenue Debt Service Fund is used to segregate resources accumulated for debt service payments over the next twelve months. The Revenue Bond Reserve Fund is used to report resources set aside to make up potential future deficiencies in the Revenue Debt Service Fund. The Revenue Bond Reserve Fund is required to reserve an amount not less than the average annual requirement for the payment of principal and interest on all the revenue bonds.

Also included in the restricted assets are capital recovery fees that are, by law, restricted to the projects these funds may be used to support. The Utility Development Impact Fee Fund is used to segregate these resources and to account for the use of these funds.

Customer deposits received for water and wastewater service are, by law, to be considered restricted assets. These activities are included in the Water and Wastewater Enterprise Fund.

The Utility Capital Projects Fund, Revenue Debt Service Fund, Revenue Bond Reserve Fund, and Utility Development Impact Fee Funds are included in the Water and Wastewater column on the proprietary funds statements.

J. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at acquisition value.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

CITY OF MCKINNEY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Building / Structures	10 - 50
Land Improvements	20
Water and Sewer System	50
Machinery and Equipment	3 - 15
Motor Vehicles	3 - 10
Traffic Signals	10 - 15
Parks	20
Service Animals	7 - 10
Storm Sewer	50
Streets	20

K. Compensated Absences

Vacation is earned in varying amounts up to a maximum of 200 hours per year for employees and 300 hours for fire shift personnel with 20 years or more of service. Unused vacation may be carried forward from one year to the next and is limited to 300 hours for employees and 450 hours for fire shift personnel. Sick leave is accrued by employees at a rate of 11.37 hours per month and by fire shift personnel at a rate of 15.4 hours per month.

Compensation for accrued sick leave is paid upon separation up to a maximum of 160 hours for employees (excluding fire and sworn police personnel) with 5 consecutive years of service. Qualifying fire personnel are eligible for varying amounts of sick leave up to a maximum of 1080 hours after 20 years of service. Qualifying sworn police personnel are eligible for varying amounts of sick leave up to a maximum of 770 hours after 20 years of service.

All vacation and sick leave pay is accrued when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

L. Long-term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position.

Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Deferred charges for refunding are amortized using the effective interest method over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is recorded as deferred outflows of resources.

CITY OF MCKINNEY, TEXAS
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In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*.

Allocations of pension items to the City's enterprise funds and component units are determined on the basis of employee payroll funding.

N. Defined Benefit Other Postemployment Benefit Plans

The City has two single-employer defined benefit other postemployment benefit (OPEB) plans (Plans). For purposes of measuring the total OPEB liability of each OPEB plan, deferred outflows of resources and deferred inflows of resources related to each OPEB plan, and OPEB expense have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms for the Plans.

Governmental Activities, Business-type Activities and Component Units of the City reported the following total OPEB liability and deferred outflows of resources related to OPEBs as of September 30, 2019:

	Total OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
GOVERNMENTAL ACTIVITIES			
Retiree Health Care Plan	\$ 16,104,870	\$ 1,089,837	\$ -
Supplemental Death Benefits Plan	2,041,924	466,579	129,886
	<u>\$ 18,146,794</u>	<u>\$ 1,556,416</u>	<u>\$ 129,886</u>
BUSINESS-TYPE ACTIVITIES			
Retiree Health Care Plan	<u>\$ 2,027,999</u>	<u>\$ 137,239</u>	<u>\$ -</u>
COMPONENT UNITS			
Retiree Health Care Plan	<u>\$ 324,655</u>	<u>\$ 21,969</u>	<u>\$ -</u>

CITY OF MCKINNEY, TEXAS
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Allocations of OPEB items to the City's enterprise funds and component units are determined on the basis of full-time employee counts by department.

O. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future reporting period(s) and so will not be recognized as an outflow of resources (expense/expenditure/reduction of net pension liability) until then. The City has the following items that qualify for reporting in this category.

- Deferred charges on refundings – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Excess consideration provided for acquisition – In November 2013, the City purchased the hangars, office building/terminal, miscellaneous furniture and fixture, and fixed base operations (FBO) from various related business entities at McKinney National Airport. This is the amount, net of amortization, which the City paid in excess of the fair value of the assets for the fixed base business operations. The deferred charges are being amortized over a period of 18 years.
- Pension contributions after measurement date – These contributions are deferred and reported as a reduction in net pension liability or increase in net pension asset in the year subsequent to their deferral.
- OPEB benefit and premium payments after measurement date – These benefit payments are deferred and reported as a reduction in total OPEB liability in the year subsequent to their deferral.
- Difference in projected and actual experience (pensions and OPEBs) – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period.
- Changes of Assumptions (pensions and OPEBs) – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized to pension expense over a closed five year period.

CITY OF MCKINNEY, TEXAS
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In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future reporting period(s) and so will not be recognized as an inflow of resources (revenue or reduction in pension expense) until that time. The City has two types of items that qualify for reporting in this category in the government-wide financial statements. The difference in expected and actual experience and changes of assumptions are deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period. In the fund financial statements, resources unavailable for revenue recognition are deferred and recognized as revenue when available.

P. Fund Equity

The City establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to observe the constraints imposed upon the use of the resources reported in governmental funds on accordance with GASB Statement No. 54. Fund balance classifications, under GASB 54 are Nonspendable, Restricted, Committed, Assigned and Unassigned.

Nonspendable fund balance represents fund balance that is (a) not in a spendable form such as prepaid items or (b) legally or contractually required to be maintained intact such as an endowment.

Restricted fund balance consists of amounts that can be spent only on the specific purposes stipulated by law or by the external providers of those resources as approved by the City Council or by their designated body or official.

Committed fund balances are self-imposed limitations set in place prior to the end of the fiscal period. These amounts can be used only for the specific purposes determined and approved by formal action of the City Council, which is the highest level of decision making authority for the City. The same level of formal action is required to remove the constraint.

Assigned fund balance consists of amounts that are subject to a purpose constraint that represents an intended use established by the City Council or the City Manager as defined in the Financial Policies.

Unassigned fund balance represents the residual classification of fund balance and includes all spendable amounts not contained within the other classifications.

When multiple categories of fund balance are available for expenditure, the City will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

The City will maintain a minimum fund balance reserve equal to three months of the total operating expenses of the General Fund. All fund balances are formally approved on an annual basis by the City Council.

CITY OF MCKINNEY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Q. Change in Accounting Principles

The City has adopted and implemented the following GASB statements which have become effective for fiscal year 2019:

GASB Statement No. 83, *Certain Asset Retirement Obligations*

- This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. Adoption of GASB 83 had no effect on the City's financial statements.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*

This Statement defines debt for purposes of financial statement disclosure and establishes disclosure requirements for additional information related to debt including balances of unused lines of credit, assets pledge as collateral for debt and significant contractual terms including what would happen in the event of default, significant termination events and any significant subjective acceleration clauses. Adoption of GASB 88 had no effect on the City's financial statements.

Future Adoption of Accounting Pronouncements

The GASB has issued the following potentially significant statements which the City has not yet adopted, and which require adoption subsequent to September 30, 2019.

Statement No.		Adoption Required
84	<i>Fiduciary Activities</i>	September 30, 2020
87	<i>Leases</i>	September 30, 2021
91	<i>Conduit Debt Obligations</i>	September 30, 2021

R. Consolidation of Governmental Funds

As of October 1, 2018, the Technology Improvement fund, a nonmajor governmental capital projects fund, was consolidated in the City's Capital Projects fund, a major governmental capital projects fund. This resulted in an increase in the Capital Project fund's beginning fund balance from \$156,306,524 to \$166,550,167 or \$10,243,643 which was the ending fund balance of the Technology Improvement fund as of September 30, 2018.

CITY OF MCKINNEY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
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(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Data

The City Charter establishes the fiscal year as the twelve-month period beginning October 1. Each department submits to the City Manager a budget of estimated expenditures for the ensuing fiscal year no later than August 1. The City Manager subsequently submits a budget of estimated expenditures and revenues to the City Council by August 15.

Upon receipt of the budget estimates, the Council holds a first reading on the Budget Ordinance and Tax Roll Ordinance. Information about the Budget Ordinance is then published in the official newspaper of the City. The Council is precluded from passing the Budget Ordinance (second reading) until ten days have passed after the Ordinance publication and after the first Monday in September.

Prior to October 1, the budget is legally enacted through passage of an ordinance. The legal level of budgetary control is at the fund level. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Budgetary control has been established at the detail level by line item activity for management control.

Budgeted amounts are as originally adopted, or as legally amended. The City Council may amend the budget by passing a budget appropriation ordinance. During fiscal year 2019, the total amendments to the original adopted budgeted amounts resulted in a \$5,562,631 increase in budgeted General Fund expenditures and Transfers Out.

Budgets for the General Fund, Debt Service Fund, Capital Projects Fund and each nonmajor special revenue fund are legally adopted on a basis consistent with GAAP.

Departmental appropriations that have not been expended or encumbered by the departments at the end of the fiscal year will lapse. Therefore, funds that were budgeted and not used by the departments during the fiscal year are not available for their use unless appropriated in the ensuing fiscal year's budget.

Encumbrances represent commitments related to unperformed contracts for goods or services. The commitments (purchase orders, contracts and other commitments for the expenditure of funds) are not treated as expenditures until a liability for payment is incurred but are merely used to facilitate effective budget control and cash planning and management.

CITY OF MCKINNEY, TEXAS
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(3) DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

Cash and investments as of September 30, 2019, consist of and are classified in the accompanying primary government and component unit financial statements as follows:

PRIMARY GOVERNMENT

Statement of Net Position

Cash and cash equivalents	\$ 199,064,984
Investments	47,554,775
Restricted cash and cash equivalents	242,674,579
Restricted investments	19,896,785

\$ 509,191,123

Cash on hand	\$ 11,276
Deposits with financial institutions, excluding certificates of deposit	24,378,733
Investments	484,801,114

Total Cash and Investments \$ 509,191,123

COMPONENT UNITS

Statement of Net Position

Cash and cash equivalents	\$ 64,233,377
Investments	7,134,117
Restricted cash and cash equivalents	1,790,687

\$ 73,158,181

Cash on hand	\$ 400
Deposits with financial institutions, excluding certificates of deposit	1,351,115
Investments	71,806,666

Total Cash and Investments \$ 73,158,181

The table below identifies the investment types that are authorized for the City by the *Public Funds Investment Act* (Act) (Government Code Chapter 2256). The table also identifies certain provisions of the City's investment policy that address interest rate risk, credit risk and concentration of credit risk.

The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

CITY OF MCKINNEY, TEXAS
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B. Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The City investment policy is designed to manage its exposure to interest rate risk by investing in investment pools which purchase a combination of shorter term investments with an average maturity of less than 60 days, thus reducing the interest rate risk. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City policy has a weighted average maturity limit of 730 days in aggregate.

As of September 30, 2019, the City and Component Units had the following investments:

Investment Type	Carrying Amount	Weighted Average Maturity *
PRIMARY GOVERNMENT		
Certificates of deposit	\$ 5,280,687	731
TexPool	99,581,833	28
TexPool Prime	27,830,567	37
LOGIC	96,620,133	35
TexasDaily	95,000,778	34
Texas CLASS	98,316,243	39
Federal Agency securities	61,476,658	1834
Municipal securities	694,215	1826
Total Fair Value	484,801,114	
DISCRETELY PRESENTED COMPONENT UNITS		
TexPool	3,413,130	28
TexPool Prime	18,800,979	37
LOGIC	14,939,611	35
TexasDaily	10,002,418	34
Texas CLASS	17,516,411	39
Federal Agency securities	7,134,117	1878
Total Fair Value	71,806,666	
Total Fair Value - Reporting Entity	\$ 556,607,780	

* The table reflects the investment pool's weighted average maturity as it relates to the City's investment policy.

CITY OF MCKINNEY, TEXAS
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C. Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the Act, the City's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Investment Type	Carrying Amount	Minimum Legal Rating	Rating As of Year-end
PRIMARY GOVERNMENT			
Certificates of deposit	\$ 5,280,687		
TexPool	99,581,833	AAA/AAA-m	AAAm
TexPool Prime	27,830,567	AAA/AAA-m	AAAm
LOGIC	96,620,133	AAA/AAA-m	AAAm
TexasDaily	95,000,778	AAA/AAA-m	AAAm
Texas CLASS	98,316,243	AAA/AAA-m	AAAm
Federal Agency securities	61,476,658	AAA	AAA
Municipal securities	694,215	A	A
Total Fair Value	484,801,114		
DISCRETELY PRESENTED COMPONENT UNITS			
TexPool	3,413,130	AAA/AAA-m	AAAm
TexPool Prime	18,800,979	AAA/AAA-m	AAAm
LOGIC	14,939,611	AAA/AAA-m	AAAm
TexasDaily	10,002,418	AAA/AAA-m	AAAm
Texas CLASS	17,516,411	AAA/AAA-m	AAAm
Federal Agency securities	7,134,117	AAA	AAA
Total Fair Value	71,806,666		
Total Fair Value - Reporting Entity	\$ 556,607,780		

D. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

CITY OF MCKINNEY, TEXAS
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The Act and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

As of September 30, 2019, the City deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

The City is a voluntary participant in TexPool. The State Comptroller of Public Accounts exercises responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters.

Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool uses amortized cost rather than the market value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the net asset value of TexPool shares.

The City invested in the Texas Local Government Investment Cooperative (LOGIC) Liquid Asset Portfolio. LOGIC is a public funds investment pool managed by Southwest Securities Group, Inc. LOGIC uses amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in LOGIC is the same as the net asset value of LOGIC shares.

The City is invested in Texas Daily, a portfolio of the TexasTERM Local Government Investment Pool (Pool) which was created by Texas local governments to provide investment programs tailored to the needs of Texas cities, counties, school districts and other public investors. The Pool is directed by an Advisory Board of experienced local government finance directors and treasurers. The Advisory Board contracts for services with professional service providers who are industry leaders in their field.

The City is invested in Texas Cooperative Liquid Assets Securities System (Texas CLASS) Trust. Texas CLASS was created as an investment pool for its participants pursuant to Section 2256.016 of the Public Funds Investment Act, Texas Government Code, or other laws of the State of Texas governing the investment of funds of a participant or funds under its control. Texas CLASS is administered by Cutwater Investor Services Corp. with Wells Fargo Bank Texas, NA as the Custodian. Texas CLASS is supervised by a Board of Trustees who are elected by the participants.

E. Property Taxes

Property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Assessed value represents the appraisal value less applicable exemptions authorized by the City Council. The Appraisal Board of Review establishes appraised values at 100% for estimated market value. A tax lien attaches to the property on January 1 of each year, to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on that property, whether or not the taxes are imposed in the year the lien attaches.

CITY OF MCKINNEY, TEXAS
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Taxes are due on October 1 immediately following the levy date and are delinquent after the following January 31st. Current tax collections for the year ended September 30, 2019, were 99.61% of the adjusted tax levy.

Allocations of property tax levy by purpose for 2019 and the preceding year are as follows (amounts per \$100 assessed value):

	<u>2019</u>	<u>2018</u>
General Fund	\$ 0.362389	\$ 0.375611
Debt Service	<u>0.162781</u>	<u>0.164588</u>
	<u>\$ 0.525170</u>	<u>\$ 0.540199</u>

Property taxes are recorded as receivables and deferred revenues at the time the tax levy is billed. Revenues are recognized as the related ad valorem taxes are collected. Additional delinquent property taxes estimated to be collectible within sixty days following the close of the fiscal year have been recognized as revenue at the fund level.

In Texas, county-wide central appraisal districts are required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of its market value and are prohibited from applying any assessment ratios.

The value of property within the appraisal district must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the appraisal district through various appeals, and, if necessary, take legal action. Under this legislation, the City continues to set tax rates on City property. However, if the effective tax rate, including tax rates for bonds and other contractual obligations adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year.

The statutes of the State of Texas do not prescribe a legal debt limit. However, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 population limits the ad valorem tax rate to \$2.50 per \$100 assessed valuation. The City operates under a Home Rule Charter which also imposes a limit of \$2.50 but does not prescribe a legal debt limit. The 2019 ad valorem tax rate of \$0.525170 is in compliance with the rate limitation.

CITY OF MCKINNEY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

F. Receivables

Receivables as of year-end for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Funds				Total
	General	Debt Service	Capital Projects	Nonmajor Funds	
Interest	\$ 105,656	\$ -	\$ -	\$ -	\$ 105,656
Taxes	9,213,229	330,245	-	245,142	9,788,616
Accounts	3,890,261	3,209	12,437	1,449	3,907,356
Notes	1,156,052	-	-	-	1,156,052
Due from other governments	373,784	-	3,952,672	484,899	4,811,355
Gross receivables	14,738,982	333,454	3,965,109	731,490	19,769,035
Allowance for uncollectible accounts	(1,992,038)	-	-	-	(1,992,038)
Net Total Receivables	\$ 12,746,944	\$ 333,454	\$ 3,965,109	\$ 731,490	\$ 17,776,997

	Business-type Activities			Total
	Water Wastewater	Airport	Other Enterprise Funds	
Customer accounts	\$ 14,214,567	\$ 53,390	\$ 2,024,535	\$ 16,292,492
Allowance for uncollectible accounts	(203,189)	-	(35,325)	(238,514)
Net Total Receivables	\$ 14,011,378	\$ 53,390	\$ 1,989,210	\$ 16,053,978
Accrued Interest Receivable	\$ 153,538	\$ -	\$ 10,049	\$ 163,587

The Enterprise Fund accounts receivable includes unbilled charges for services rendered at September 30, 2019. The water and wastewater fund also reported restricted interest receivables at year-end of \$75,207.

In February of 2009, MEDC negotiated two loans from the City to redeem their 2002 tax exempt revenue bonds achieving a savings of \$289,790 in interest expenses. A promissory note in the amount of \$4,000,000 was executed with the City. The note is for eight years with a 4% interest on outstanding balances. During 2013, the City Council authorized the transfer of this note to the solid waste fund. In March 2013, City Council approved the re-structuring of this loan reducing the interest rate to 1% on outstanding balances effective fiscal year 2014. The balance of this note was paid in full as of September 30, 2019.

At September 30, 2019, accounts and notes receivable on the Statement of Net Position represent amounts owed to the MEDC for loans made to private businesses in the community. If certain contractual obligations are met by some of these private enterprises at a future date, a portion of the amounts owed may be forgiven. Due to the likelihood that the provisions would be met by the corporations the City has elected to expense the advance at the time of transfer. At September 30, 2019, accounts receivable includes \$2,541,501 representing sales tax owed to MEDC and accrued interest of \$29,644. Receivables as of year-end for MEDC were collected after year end; therefore, no allowances for uncollectible accounts have been recorded for September 30, 2019.

CITY OF MCKINNEY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

At September 30, 2019, accounts receivable include \$2,541,501 representing sales tax owed to MCDC and accrued interest of \$23,565. Receivables as of year-end for MCDC were collected after year end; therefore, no allowances for uncollectible accounts have been recorded for September 30, 2019.

At September 30, 2019, MMS accounts receivable include \$1,390 for services provided. Receivables as of year-end for MMS were collected after year-end; therefore, no allowances for uncollectible accounts have been recorded for September 30, 2019.

G. Capital Assets

Capital asset activity for the year ended September 30, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
GOVERNMENTAL ACTIVITIES					
Capital assets not being depreciated:					
Land	\$ 37,790,222	\$ 2,867,198	\$ -	\$ 1,927,876	\$ 42,585,296
Works of art	32,000	55,600	-	-	87,600
Construction in progress	37,526,551	41,220,581	-	(7,618,865)	71,128,267
Total Capital Assets, Not Being Depreciated	75,348,773	44,143,379	-	(5,690,989)	113,801,163
Capital assets being depreciated:					
Buildings	180,319,961	6,749,315	(17,980,527)	1,250,000	170,338,749
Infrastructure	792,527,545	15,621,284	(5,742)	4,399,782	812,542,869
Machinery and equipment	65,133,866	5,130,256	(2,277,724)	41,207	68,027,605
Service animals	20,000	5,000	(5,000)	-	20,000
Total Capital Assets Being Depreciated	1,038,001,372	27,505,855	(20,268,993)	5,690,989	1,050,929,223
Less accumulated depreciation for:					
Buildings	(43,557,033)	(5,048,513)	1,795,903	-	(46,809,643)
Infrastructure	(415,731,174)	(33,050,318)	1,172	-	(448,780,320)
Machinery and equipment	(39,408,364)	(5,417,193)	2,252,322	-	(42,573,235)
Service animals	(6,721)	(2,935)	750	-	(8,906)
Total Accumulated Depreciation	(498,703,292)	(43,518,959)	4,050,147	-	(538,172,104)
Total Capital Assets Being Depreciated, Net	539,298,080	(16,013,104)	(16,218,846)	5,690,989	512,757,119
Governmental Activities, Capital Assets, Net	\$ 614,646,853	\$ 28,130,275	\$ (16,218,846)	\$ -	\$ 626,558,282

CITY OF MCKINNEY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

BUSINESS-TYPE ACTIVITIES

Capital assets not being depreciated:

Land	\$ 52,372,820	\$ -	\$ (44,515)	\$ 38,527	\$ 52,366,832
Construction in progress	23,661,866	35,671,266	(643,634)	(8,387,658)	50,301,840
Total Capital Assets, Not Being Depreciated	76,034,686	35,671,266	(688,149)	(8,349,131)	102,668,672

Capital assets being depreciated:

Buildings	40,026,460	23,873	-	5,603,909	45,654,242
Infrastructure	518,003,539	16,209,856	-	2,745,222	536,958,617
Machinery and equipment	13,842,497	2,097,801	(249,411)	-	15,690,887
Total Capital Assets Being Depreciated	571,872,496	18,331,530	(249,411)	8,349,131	598,303,746

Less: accumulated depreciation for:

Buildings	(12,378,578)	(1,488,056)	-	-	(13,866,634)
Infrastructure	(129,117,297)	(12,096,047)	-	-	(141,213,344)
Machinery and equipment	(8,060,785)	(1,267,564)	248,799	-	(9,079,550)
Total Accumulated Depreciation	(149,556,660)	(14,851,667)	248,799	-	(164,159,528)
Total Capital Assets Being Depreciated, Net	422,315,836	3,479,863	(612)	8,349,131	434,144,218

Business-type Activities, Capital Assets, Net

\$ 498,350,522	\$ 39,151,129	\$ (688,761)	\$ -	\$ 536,812,890
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Depreciation expense was charged to functions/programs of the primary government as follows:

GOVERNMENTAL ACTIVITIES

Development	\$ 246,835
Fire	2,199,002
Fleet maintenance	28,480
General government	3,379,132
Libraries	384,329
Parks and recreation	5,330,760
Police	1,605,536
Public works	30,344,885

Total Depreciation Expense Governmental Activities **\$ 43,518,959**

BUSINESS-TYPE ACTIVITIES

Airport	\$ 4,004,779
Golf Course	59,727
Solid Waste	60,194
Surface Water Drainage	46,610
Water and Wastewater	10,680,357

Total Depreciation Expense Business-type Activities **14,851,667**

Airport

Amortization of excess cost of consideration	393,067
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Total Depreciation and Amortization Business-type Activities

\$ 15,244,734

CITY OF MCKINNEY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Capital asset activity for discretely presented component units for the year ended September 30, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
MEDC:					
Capital assets not being depreciated:					
Land	\$ 67,043,105	\$ -	\$ (137,218)	\$ -	\$ 66,905,887
Total Capital Assets, Not Being Depreciated	<u>67,043,105</u>	<u>-</u>	<u>(137,218)</u>	<u>-</u>	<u>66,905,887</u>
Capital assets being depreciated:					
Improvements other than buildings	257,783	-	-	-	257,783
Machinery and equipment	28,231	32,856	-	-	61,087
Total Capital Assets Being Depreciated	<u>286,014</u>	<u>32,856</u>	<u>-</u>	<u>-</u>	<u>318,870</u>
Less: accumulated depreciation for:					
Improvements other than buildings	(257,783)	-	-	-	(257,783)
Machinery and equipment	(28,231)	(2,503)	-	-	(30,734)
Total Accumulated Depreciation	<u>(286,014)</u>	<u>(2,503)</u>	<u>-</u>	<u>-</u>	<u>(288,517)</u>
Total Capital Assets Being Depreciated, Net	<u>-</u>	<u>30,353</u>	<u>-</u>	<u>-</u>	<u>30,353</u>
Capital Assets, Net	<u>\$ 67,043,105</u>	<u>\$ 30,353</u>	<u>\$ (137,218)</u>	<u>\$ -</u>	<u>\$ 66,936,240</u>
MCDC:					
Capital assets not being depreciated:					
Land	\$ 4,970,062	\$ -	\$ (4,339,109)	\$ -	\$ 630,953
Total Capital Assets, Not Being Depreciated	<u>4,970,062</u>	<u>-</u>	<u>(4,339,109)</u>	<u>-</u>	<u>630,953</u>
Capital assets being depreciated:					
Infrastructure	2,823,107	-	(2,616,342)	-	206,765
Total Capital Assets Being Depreciated	<u>2,823,107</u>	<u>-</u>	<u>(2,616,342)</u>	<u>-</u>	<u>206,765</u>
Less: accumulated depreciation for:					
Infrastructure	(969,151)	(130,921)	1,026,843	-	(73,229)
Total Accumulated Depreciation	<u>(969,151)</u>	<u>(130,921)</u>	<u>1,026,843</u>	<u>-</u>	<u>(73,229)</u>
Total Capital Assets Being Depreciated, Net	<u>1,853,956</u>	<u>(130,921)</u>	<u>(1,589,499)</u>	<u>-</u>	<u>133,536</u>
Capital Assets, Net	<u>\$ 6,824,018</u>	<u>\$ (130,921)</u>	<u>\$ (5,928,608)</u>	<u>\$ -</u>	<u>\$ 764,489</u>
MMS:					
Capital assets not being depreciated:					
Construction in progress	\$ 17,000	\$ 16,320	\$ -	\$ (33,320)	\$ -
Total Capital Assets, Not Being Depreciated	<u>17,000</u>	<u>16,320</u>	<u>-</u>	<u>(33,320)</u>	<u>-</u>
Capital assets being depreciated:					
Machinery and equipment	41,581	-	-	33,320	74,901
Total Capital Assets Being Depreciated	<u>41,581</u>	<u>-</u>	<u>-</u>	<u>33,320</u>	<u>74,901</u>
Less: accumulated depreciation for:					
Machinery and equipment	(10,849)	(11,337)	-	-	(22,186)
Total Accumulated Depreciation	<u>(10,849)</u>	<u>(11,337)</u>	<u>-</u>	<u>-</u>	<u>(22,186)</u>
Total Capital Assets Being Depreciated, Net	<u>30,732</u>	<u>(11,337)</u>	<u>-</u>	<u>33,320</u>	<u>52,715</u>
Capital Assets, Net	<u>\$ 47,732</u>	<u>\$ 4,983</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,715</u>

CITY OF MCKINNEY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Capital Improvement Program Commitments

The City has active construction projects as of September 30, 2019. The projects include Governmental type activities such as: streets, parks, fire, police, facilities, library and stormwater construction. The commitment for Governmental Activities is being financed by General Obligation Bonds, Certificates of Obligation Bonds, impact fees, developer contributions and grants. The Water and Wastewater, and Airport are being financed by revenue bonds, Certificate of Obligation Bonds, impact fees, developer contributions and grants. The remaining commitment was expenditures not spent. Commitments for construction in progress are composed of the following:

	Project Budget Appropriation	Spent-to-date	Remaining Commitment
Governmental	\$ 388,885,000	\$ 86,306,932	\$ 302,578,068
Water and Wastewater	190,706,513	53,261,469	137,445,044
Airport	25,965,268	6,129,719	19,835,549
Total	\$ 605,556,781	\$ 145,698,120	\$ 459,858,661

H. Interfund Receivables, Payables and Transfers

A summary of interfund receivables and payables balances at September 30, 2019, is as follows:

Receivable Fund	Payable Fund	Amount	Primary Purpose
General Fund	Water/Wastewater Fund	\$ 357,885	Franchise fee accrual
General Fund	Solid Waste	36,682	License fee accrual
General Fund	Nonmajor Governmental Funds	173,000	To cover cash shortage
Water/Wastewater Fund	Solid Waste	15,239	Sanitation billing accrual
		\$ 582,806	

Fund level transfers during the year were as follows:

Transfers Out	Transfers In					Total
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Airport Fund	Nonmajor Enterprise Funds	
General Fund	\$ -	\$ 3,742,620	\$ 113,200	\$ 213,000	\$ -	\$ 4,068,820
Nonmajor Governmental Funds	4,119,010	-	-	-	-	4,119,010
Water/Wastewater Fund	2,011,680	2,000,000	-	-	77,789	4,089,469
Nonmajor Enterprise Funds	628,134	-	-	-	-	628,134
Internal Service Funds	156,176	-	-	-	-	156,176
	\$ 6,915,000	\$ 5,742,620	\$ 113,200	\$ 213,000	\$ 77,789	\$ 13,061,609

CITY OF MCKINNEY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Transfers are used to:

- Move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due.
- Move restricted amounts from borrowing to the debt service fund to establish mandatory reserve accounts.
- Move unrestricted general fund revenues to finance various programs that the City must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grants programs.
- Support monthly general and administrative fees which are expected to be paid from governmental activities.

The City's more significant transfers are listed below:

- Transfers of \$2,639,814 were made from the enterprise funds to the general fund in order to support monthly general and administrative fees.
- A transfer of \$3,867,310 was made from a nonmajor governmental fund to the general fund for a capital asset purchase.
- A transfer of \$2,500,000 was made from the general fund and \$2,000,000 from the water and wastewater fund to the capital projects fund for CIP projects.

Note Receivable

In January 2010, City Council approved a loan from the solid waste fund to the golf course fund. The loan was issued in the amount of \$800,000. In March 2011, City Council approved an increase to the existing loan of \$261,000. The balance of the note as of September 30, 2019, is \$629,045. Under the loan agreement, the golf course fund will make interest payments annually at a rate of 1.75% through 2030.

In March 2017, City Council approved a loan from the solid waste fund to the airport fund. The loan was issued in the amount of \$5,000,000. Under the loan agreement, the airport will make interest payments annually at a rate of 1.49% through 2028. As of September 30, 2019, the outstanding balance was \$4,674,500.

I. Unavailable/Unearned Revenue

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. Tax, court, EMS and franchise fees which are reported as unavailable revenue in the governmental funds are recorded as revenue in the government-wide financial statements. Grant and miscellaneous revenues are reported as unearned in both the governmental fund and government-wide financial statements.

CITY OF MCKINNEY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

At the end of the current fiscal year, the various components of unavailable and unearned revenue reported in the governmental funds were as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Unavailable Revenue	Unearned Revenue
Tax revenue	\$ 706,071	\$ 311,638	\$ -	\$ 1,017,709	\$ -
Court revenue	228,561	-	-	228,561	-
EMS revenue	691,718	-	-	691,718	-
Franchise fees	1,077,752	-	-	1,077,752	-
Miscellaneous	978,466	-	-	-	978,466
Grants	-	-	37,558	-	37,558
	<u>\$ 3,682,568</u>	<u>\$ 311,638</u>	<u>\$ 37,558</u>	<u>\$ 3,015,740</u>	<u>\$ 1,016,024</u>

J. Long-term Debt

A summary of long-term debt transactions, including current portion, for the year ended September 30, 2019, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable					
General obligation bonds	\$ 194,815,000	\$ 51,495,000	\$ (27,145,000)	\$ 219,165,000	\$ 24,050,000
Certificates of obligation	41,200,000	7,560,000	(13,715,000)	35,045,000	1,870,000
Tax notes	1,265,000	-	(1,265,000)	-	-
	<u>237,280,000</u>	<u>59,055,000</u>	<u>(42,125,000)</u>	<u>254,210,000</u>	<u>25,920,000</u>
Issuance premium	18,556,761	7,684,725	(3,170,070)	23,071,416	3,429,291
Total bonds payable	<u>255,836,761</u>	<u>66,739,725</u>	<u>(45,295,070)</u>	<u>277,281,416</u>	<u>29,349,291</u>
Capital lease	803,195	4,600,000	(850,736)	4,552,459	4,357,042
Net pension liability	29,957,095	31,390,932	(11,820,884)	49,527,143	-
Total OPEB liability	16,095,508	2,748,763	(697,477)	18,146,794	-
Compensated absences	11,878,911	1,082,328	(702,490)	12,258,749	775,978
Governmental Activities					
Long-term Debt	<u>\$ 314,571,470</u>	<u>\$ 106,561,748</u>	<u>\$ (59,366,657)</u>	<u>\$ 361,766,561</u>	<u>\$ 34,482,311</u>
BUSINESS-TYPE ACTIVITIES					
Bonds payable:					
Water and wastewater					
revenue bonds	\$ 107,590,000	\$ 31,735,000	\$ (6,305,000)	\$ 133,020,000	\$ 8,025,000
Issuance premium	12,062,993	4,687,793	(1,477,800)	15,272,986	1,721,520
Total bonds payable	<u>119,652,993</u>	<u>36,422,793</u>	<u>(7,782,800)</u>	<u>148,292,986</u>	<u>9,746,520</u>
Net pension liability	3,772,333	3,952,888	(1,488,539)	6,236,682	-
Total OPEB liability	1,813,360	267,910	(53,271)	2,027,999	-
Compensated absences	971,695	226,959	(43,008)	1,155,646	73,153
Business-type Activities:					
Long-term Debt	<u>\$ 126,210,381</u>	<u>\$ 40,870,550</u>	<u>\$ (9,367,618)</u>	<u>\$ 157,713,313</u>	<u>\$ 9,819,673</u>

CITY OF MCKINNEY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

A summary for long-term debt transactions, including current portion, for the discretely presented component units for the year ended September 30, 2019 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
MEDC:					
Bonds payable:					
Sales tax revenue bonds	\$ 29,590,000	\$ -	\$ (2,845,000)	\$ 26,745,000	\$ 3,015,000
Note payable to primary government	815,999	-	(815,999)	-	-
Net pension liability	415,044	434,908	(163,774)	686,178	-
Total OPEB liability	199,511	29,476	(5,861)	223,126	-
Compensated absences	84,562	19,282	(23,565)	80,279	5,082
Component Unit Activities					
Long-term Debt	<u>\$ 31,105,116</u>	<u>\$ 483,666</u>	<u>\$ (3,854,199)</u>	<u>\$ 27,734,583</u>	<u>\$ 3,020,082</u>

MCDC:

Bonds payable:					
Sales tax revenue bonds	\$ 21,380,000	\$ -	\$ (990,000)	\$ 20,390,000	\$ 1,010,000
Net pension liability	66,849	70,049	(26,378)	110,520	-
Total OPEB liability	32,134	4,748	(944)	35,938	-
Compensated absences	38,401	2,004	-	40,405	2,558
Component Unit Activities					
Long-term Debt	<u>\$ 21,517,384</u>	<u>\$ 76,801</u>	<u>\$ (1,017,322)</u>	<u>\$ 20,576,863</u>	<u>\$ 1,012,558</u>

MCVB:

Net pension liability	\$ 122,007	\$ 127,846	\$ (48,143)	\$ 201,710	\$ -
Total OPEB liability	58,649	8,665	(1,723)	65,591	-
Compensated absences	62,938	2,721	(1,115)	64,544	4,086
Component Unit Activities					
Long-term Debt	<u>\$ 243,594</u>	<u>\$ 139,232</u>	<u>\$ (50,981)</u>	<u>\$ 331,845</u>	<u>\$ 4,086</u>

Bonds Payable	Issue Date	Interest Rate	Maturity Date	Amount Outstanding
MEDC:				
Sales Tax Revenue Bonds 2011, Tax Exempt 2011	2/1/2011	2.5-4.38%	9/1/2025	\$ 3,390,000
Sales Tax Revenue Bonds 2016, Taxable 2016	12/14/2016	2.49%	9/1/2025	4,895,000
Sales Tax Revenue Bonds 2018, Taxable 2018	8/1/2018	3.65%	9/1/2028	18,460,000
Total Bonds Payable				<u>\$ 26,745,000</u>
MCDC:				
Sales Tax Revenue Bonds 2015, Taxable	2/25/2015	.75 - 4.12%	8/15/2035	<u>\$ 20,390,000</u>

CITY OF MCKINNEY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Compensated Absences

Compensated absences represent the estimated liability for employees' accrued holiday, portion of sick leave, compensatory time and vacation leave for which employees are entitled to be paid upon termination. The retirement of this liability is typically paid from the General Fund and Enterprise Funds based on the assignment of an employee at termination.

General Obligation Bonds, Certificates of Obligation, and Tax Notes

The General Obligation Bonds include \$254,210,000 of Bonds and Certificates of Obligation with interest rates ranging from 2% to 5.00% maturing annually in varying amounts through 2039. Interest for these obligations is payable semi-annually. They are backed by the full faith and credit of the City and are payable from property taxes. The Certificates are additionally secured, by a limited pledge of certain net revenues of the City as specified in their official statements.

In August 2019, the City issued \$51,495,000 General Obligation Refunding and Improvement Bonds, Series 2019. The debt was issued to refund remaining amounts of two prior issuances including the General Obligation Bonds, Series 2009 of \$5,490,000 and the Tax and Limited Pledge Waterworks and Sewer System Revenue Certificates of Obligation, Series 2009 of \$11,485,000 and street construction and improvements. The bonds were issued with a premium of \$7,684,725 with interest rates ranging from 2.5% to 5.0% and matures through 2039. This refunding resulted in a net present value savings of \$3,170,924.

In February 2019, the City issued \$7,560,000 of Tax & Limited Waterworks and Sewer System Certificates of Obligation, Series 2019. The debt was issued for parks and recreational facilities with an interest rate of 3.90% and matures through 2028.

Debt service requirements of the general obligation bonds and certificates of obligation bonds for the years subsequent to September 30, 2019, are as follows:

Fiscal Year	General Obligation Bonds			Certificates of Obligation			Total GO and CO Requirements
	Principal Requirements	Interest Requirements	Total Requirements	Principal Requirements	Interest Requirements	Total Requirements	
2020	\$ 24,050,000	\$ 9,816,400	\$ 33,866,400	\$ 1,870,000	\$ 1,393,460	\$ 3,263,460	\$ 37,129,860
2021	19,005,000	8,814,105	27,819,105	2,060,000	1,333,921	3,393,921	31,213,026
2022	18,595,000	7,882,818	26,477,818	2,245,000	1,263,963	3,508,963	29,986,781
2023	19,075,000	6,975,838	26,050,838	2,440,000	1,185,218	3,625,218	29,676,056
2024	18,595,000	6,068,313	24,663,313	2,535,000	1,097,154	3,632,154	28,295,467
2025-2029	57,720,000	19,905,135	77,625,135	13,350,000	4,019,871	17,369,871	94,995,006
2030-2034	41,210,000	8,352,369	49,562,369	9,025,000	1,370,127	10,395,127	59,957,496
2035-2039	20,915,000	1,518,523	22,433,523	1,520,000	68,780	1,588,780	24,022,303
	<u>\$ 219,165,000</u>	<u>\$ 69,333,501</u>	<u>\$ 288,498,501</u>	<u>\$ 35,045,000</u>	<u>\$ 11,732,494</u>	<u>\$ 46,777,494</u>	<u>\$ 335,275,995</u>

Proceeds of General Obligation Bonds are recorded in the Capital Projects Fund and are restricted to the use for which they were approved in the bond elections. The City Charter expressly prohibits the use of bond proceeds to fund operating expenditures. The City Charter does not prescribe a debt limit.

CITY OF MCKINNEY, TEXAS
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Revenue Bonds

The revenue bonds are serial obligations with interest rates ranging from 2.00% to 5.00%, maturing annually in varying amounts through years 2039 and interest is payable semi-annually. Revenue bonds are used to finance the acquisition and construction of major capital improvements for the water and sewer system and related facilities. These revenue bonds constitute special obligations of the City solely secured by a lien on and pledge of the net revenues of the water and sewer system.

The revenue bonds are collateralized by the revenue of the Water and Wastewater Fund and the Debt Service Reserve Fund established by the bond ordinances. The ordinances provide that the gross revenues are to be used first to pay operating and maintenance expenses of the system, and second to maintain revenue bond funds in accordance with bond covenants. Remaining revenues may then be used for any lawful purpose. The ordinances also contain provisions which, among other items, restrict the issuance of additional revenue bonds unless the special funds noted above contain the required amounts and certain financial ratios are met. Annual principal and interest requirements on revenue bonds was less than 40 percent of net revenues. The City is in compliance with the revenue bond debt covenants as of September 30, 2019.

In August 2019 the City issued \$31,735,000 Waterworks and Sewer System Revenue Bonds, Series 2019. The debt was issued for the purpose of improving and extending the City's waterworks and sewer system. The bonds were issued with a premium of \$4,687,793 with interest rates ranging from 2% to 5% and matures through 2039.

Debt service requirements of the water and wastewater revenue bonds for the years subsequent to September 30, 2019, are as follows:

Fiscal Year	Revenue Bonds		
	Principal	Interest	Total
2020	\$ 8,025,000	\$ 5,589,824	\$ 13,614,824
2021	8,270,000	5,216,256	13,486,256
2022	8,530,000	4,838,513	13,368,513
2023	8,770,000	4,475,956	13,245,956
2024	8,995,000	4,125,525	13,120,525
2025-2029	36,790,000	15,113,291	51,903,291
2030-2034	29,720,000	7,889,269	37,609,269
2035-2039	23,920,000	1,722,716	25,642,716
	<u>\$ 133,020,000</u>	<u>\$ 48,971,350</u>	<u>\$ 181,991,350</u>

Sales Tax Revenue Bonds

The sales tax revenue bonds are serial obligations with interest rates ranging from 1.55% to 4.38%, maturing annually in varying amounts through years 2035 and interest is payable semi-annually. These bonds are special obligations of the corporations payable from and secured by a lien on and pledge of the proceeds of the $\frac{1}{4}$ of the $\frac{1}{2}$ cent sales and use tax levied within the City for the benefit of the respective component unit corporation.

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Conduit Debt

The McKinney Housing Finance Corporation (MHFC) issued conduit debt for purposes of low income housing development in the City of McKinney. MHFC has no obligation for such debt beyond the resources provided by a lease or loan with the third party. As of September 30, 2019, the aggregate outstanding conduit debt is \$10,224,406.

The sales tax revenue bonds are used to defray the cost of any "project" defined as such by the *Development Corporation Act of 1979*, as amended. MEDC bonds were issued for approved projects of runway improvements at the City's airport and land acquisition. MCDC bonds were issued to construct and equip a community aquatics and fitness center to be donated to the City. These bonds are collateralized by the gross sales tax revenues of the corporations and the various special funds established by the bond ordinances. The ordinances also contain provisions which, among other items, restrict the issuance of additional revenue bonds unless the special funds noted above contain the required amounts and certain financial ratios are met.

Annual principal and interest requirements on sales tax revenue bonds for the Corporations were less than 15% of gross sales tax revenues. The Corporations are in compliance with the bond covenants as of September 30, 2019.

Debt service requirements for the discretely presented component units of the sales tax revenue bonds for the years subsequent to September 30, 2019, are as follows:

MEDC Fiscal Year	Sales Tax Revenue Bonds		
	Principal	Interest	Total
2020	\$ 3,015,000	\$ 935,888	\$ 3,950,888
2021	3,130,000	832,733	3,962,733
2022	3,250,000	725,582	3,975,582
2023	3,375,000	614,312	3,989,312
2024	3,510,000	498,021	4,008,021
2025-2028	10,465,000	880,317	11,345,317
	<u>\$ 26,745,000</u>	<u>\$ 4,486,853</u>	<u>\$ 31,231,853</u>

MCDC Fiscal Year	Principal Requirements	Interest Requirements	Total
2020	\$ 1,010,000	\$ 711,230	\$ 1,721,230
2021	1,030,000	688,848	1,718,848
2022	1,055,000	663,284	1,718,284
2023	1,085,000	636,044	1,721,044
2024	1,115,000	605,436	1,720,436
2025-2029	6,110,000	2,478,869	8,588,869
2030-2034	7,335,000	1,266,015	8,601,015
2035	1,650,000	68,030	1,718,030
	<u>\$ 20,390,000</u>	<u>\$ 7,117,756</u>	<u>\$ 27,507,756</u>

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Capital Leases

The City has entered into two capital leases to acquire fire trucks classified as general government machinery and equipment in the gross amount of \$2,451,255 with a net book value of \$1,531,624. In February 2019 a 5-year capital lease of \$4,600,000 commenced along with a \$3,000,000 down payment to acquire a downtown parking garage and related land. These assets are classified as general government buildings and land in the gross amount of \$7,600,000 with a net book value of \$6,468,448 for buildings and \$1,021,917 for land. In November 2019, the City exercised its option for early purchase of the parking garage and land, thus, the entire debt service amount of \$4,049,089 is recorded as a current liability in the government wide financial statements.

Debt service requirements of the City's capital leases for the years subsequent to September 30, 2019, are as follows:

Fiscal Year	Principal Requirements	Interest Requirements	Total
2020	\$ 4,357,042	\$ 13,726	\$ 4,370,768
2021	195,417	5,379	200,796
	<u>\$ 4,552,459</u>	<u>\$ 19,105</u>	<u>\$ 4,571,564</u>

H. Restricted Assets

The balances of the restricted asset accounts in the enterprise funds are as follows:

	Cash and Investments	Accrued Interest Receivable	Total
Water and Wastewater Funds			
Operating Fund	\$ 3,928,711	\$ -	\$ 3,928,711
Utility Capital Projects Fund	98,741,146	43,334	98,784,480
Utility Development Impact Fee	5,913,858	-	5,913,858
Revenue Debt Service Fund	8,476,386	-	8,476,386
Revenue Bond Reserve Fund	7,732,575	31,873	7,764,448
Airport Funds			
Operating Fund	130,858	-	130,858
Airport Construction Fund	4,217,155	-	4,217,155
Golf Course Fund	10,000	-	10,000
Solid Waste Fund	-	10,049	10,049
	<u>\$ 129,150,689</u>	<u>\$ 85,256</u>	<u>\$ 129,235,945</u>

The ordinance authorizing the water and wastewater system revenue bonds requires that the City establish a fund, Revenue Bond Reserve Fund, to reserve an amount not less than the average annual requirement for the payment of principal and interest on all the revenue bonds. At September 30, 2019, net position is sufficient to satisfy such bond ordinance requirements.

CITY OF MCKINNEY, TEXAS
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The ordinance further requires that the proceeds from the sale of revenue bonds be expended for certain capital improvements to the water and wastewater system. The proceeds are maintained as Restricted Assets – Utility Capital Projects Fund until such time as needed to fund the water and wastewater system construction program.

(4) DEFERRED COMPENSATION PLAN

The City offers its employees two deferred compensation plans created in accordance with Internal Revenue Code Section 457. One plan is administered by the International City Management Association Retirement Corporation (ICMARC) and the other is administered by Nationwide. All assets and income are held in trust for the exclusive benefit of participants and their beneficiaries, therefore it is not reported in the financial statements of the City. Assets and liabilities are not included in the City's basic financial statements.

The plan, available to all full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

(5) PENSION PLAN

A. Plan Description

The City and three of its component units participate as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit agent multiple-employer pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS, an agency created by the State of Texas and administered in accordance with the *TMRS Act*, Subtitle G, Title 8, Texas Government Code (TMRS Act) is an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the City are required to participate in TMRS.

Benefits Provided:

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven actuarially equivalent payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

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A summary of plan provisions for the City are as follows:

Employee Deposit Rate:	7.0%
Matching Ratio (City to employee):	2 to 1
Years required for vesting	5 years
Service retirement eligibility	20 years at any age, 5 years at age 60 and above
Updated service credit	100% Repeating, Transfers
Annuity increase to retirees	70% of CPI Repeating

Employees Covered by Benefit Terms:

At the December 31, 2018, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	313
Inactive employees entitled to but not yet receiving benefits	445
Active employees	<u>1,116</u>
Total	<u>1,874</u>

B. Contributions

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. Employer contributions are actuarially determined; for the fiscal year ended September 30, 2019, the City and its component units made contributions of \$12,527,597 or 15.15% of covered payroll.

C. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2018, and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

D. Actuarial Assumptions

The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Retiree Mortality Table is used, with slight adjustments.

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Actuarial assumptions used in the December 31, 2018, valuation was based on the results of actuarial experience studies. This experience study was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75% for the 2015 actuarial valuation. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Domestic equity	17.5%	4.30%
International equity	17.5%	6.10%
Core fixed income	10.0%	1.00%
Non-core fixed income	20.0%	3.39%
Real return	10.0%	3.78%
Real estate	10.0%	4.44%
Absolute return	10.0%	3.56%
Private equity	5.0%	7.75%
Total	100%	

E. Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will remain at the current 7% rate and employer contributions will be made at the rates specified by statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

CITY OF MCKINNEY, TEXAS
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F. Changes in the Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of October 1, 2018	\$ 274,679,818	\$ 240,346,490	\$ 34,333,328
Changes for the year:			
Service cost	14,350,469	-	14,350,469
Interest on total pension liability	18,774,911	-	18,774,911
Effect of difference in expected and actual experience	(714,145)	-	(714,145)
Benefit payments	(7,416,454)	(7,416,454)	-
Administrative expenses	-	(139,143)	139,143
Member contributions	-	5,426,974	(5,426,974)
Net investment loss	-	(7,206,568)	7,206,568
Employer contributions	-	11,908,337	(11,908,337)
Other	-	(7,270)	7,270
Balances as of September 30, 2019	<u>\$ 299,674,599</u>	<u>\$ 242,912,366</u>	<u>\$ 56,762,233</u>
City	<u>\$ 294,403,362</u>	<u>\$ 238,639,537</u>	<u>\$ 55,763,825</u>
Component Units	<u>\$ 5,271,237</u>	<u>\$ 4,272,829</u>	<u>\$ 998,408</u>

G. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City and its component units, calculated using the discount rate of 6.75%, as well as what the City and its component unit's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 103,503,333	\$ 55,763,825	\$ 17,103,720
Component unit's net pension liability			
MEDC	1,273,655	686,178	210,469
MCDC	205,129	110,520	33,897
MCVB	374,437	201,710	61,875

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H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

I. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

For the year ended September 30, 2019, the City and its component units recognized pension expense of \$16,247,158 and \$273,153, respectively.

At September 30, 2019, the City and its component units reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		MEDC	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,434,031	\$ (1,146,809)	\$ 29,952	\$ (14,112)
Changes of assumptions	-	(1,714)	-	-
Differences between projected and actual investment earnings	12,229,569	-	150,481	-
Contributions subsequent to the measurement date through year-end	8,951,253	-	110,149	-
Total	\$ 23,614,853	\$ (1,148,523)	\$ 290,582	\$ (14,112)

	MCDC		MCVB	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,824	\$ (2,273)	\$ 8,805	\$ (4,148)
Changes of assumptions	-	-	-	-
Differences between projected and actual investment earnings	24,240	-	44,233	-
Contributions subsequent to the measurement date through year-end	17,740	-	32,382	-
Total	\$ 46,804	\$ (2,273)	\$ 85,420	\$ (4,148)

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$8,951,253 and \$160,271 will be recognized as a reduction of the net pension liability of the City and its component units, respectively, for the year ending September 30, 2020.

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Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30	Primary Government	MEDC	MCDC	MCVB
2019	\$ 4,414,368	\$ 54,321	\$ 8,749	\$ 15,970
2020	2,053,858	25,274	4,070	7,430
2021	2,228,434	27,422	4,416	8,062
2022	4,843,753	59,614	9,606	17,507
2023	28,635	352	57	104
Thereafter	(53,971)	(662)	(107)	(183)
Total	\$ 13,515,077	\$ 166,321	\$ 26,791	\$ 48,890

(6) POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Retiree Health Care Plan

A. Plan Description

The City provides postemployment medical and dental benefits (OPEB) for eligible retirees, their spouses and dependents through a single-employer defined benefit plan, which covers both active and retired members.

All medical care benefits are provided through the City's self-insured health plan. The two optional benefit levels, CityCare PPO and CityCare Plus PPO, are the same for retirees as those afforded to active employees.

B. Benefits Provided

To be eligible for coverage a retiree must qualify under all three of the following:

1. Has been covered as an employee for medical benefits under the City of McKinney Employee Healthcare Plan immediately prior to retirement; and
2. Applies for pension benefits from TMRS in accordance with their requirements and deadlines, but in no event later than the effective date of retirement; and
3. Enrolls for Retiree health coverage no later than the effective date of retirement.

Retirees who elect COBRA cannot later elect retiree coverage. Retirees are not allowed to add additional dependents upon retirement. Retirees or dependents who are Medicare eligible may not remain on the Plan; however, retirees may elect to purchase a Medicare supplement offered by the City.

As of December 31, 2018, the following employees were covered by the benefit terms:

Retirees and beneficiaries	24
Inactive, nonretired members	-
Active employees	1,064
	<u>1,088</u>

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C. Accounting Policy

An irrevocable trust has not been established that meets the criteria in paragraph 4 of GASB Statement No. 75. Therefore, the plan is not accounted for as a trust fund. The plan does not issue a separate financial report.

D. Funding Policies

The benefit levels and contribution rates are approved annually by the City management and the City Council as part of the budget process. By the City not contributing anything toward this plan in advance, the City employs a pay-as-you-go method through ensuring the annual retiree contributions are equal to the benefits that are paid on behalf of the retirees. OPEB expense as actuarially determined for the City and its component units was \$1,530,131 and \$27,396, respectively.

The monthly Retiree health coverage contribution rates for offered benefit levels are as follows:

CITYCARE PPO		CITYCARE PLUS PPO	
Single Coverage	\$ 552	Single Coverage	\$ 1,344
Singe + Spouse	\$ 3,552	Singe + Spouse	\$ 5,028
Single + Children	\$ 3,060	Single + Children	\$ 4,536
Single + Family	\$ 4,896	Single + Family	\$ 6,984

E. Actuarial Methods and Assumptions

Significant methods and assumptions used in the December 31, 2018, actuarial valuation are as follows:

Actuarial Cost Method	Individual Entry-Age
Discount Rate	3.71% as of December 31, 2018 (3.31% in prior year) Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in the Fidelity "20-Year Municipal GO AA Index" as of December 31, 2018.
Inflation	2.50% per annum
Salary Increases	3.50% to 10.50%, including inflation
Demographic Assumption	Based on the experience study covering the four-year period ending December 31, 2014, as conducted for the Texas Municipal Retirement System (TMRS)
Mortality	For healthy retirees, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.
Health Care Trend Rates	7.50% decreasing to an ultimate rate of 4.25% over 15 years.
Participation Rates	It was assumed that retirees would choose to receive retiree health care benefits through the City as follows:

<u>Age at Retirement</u>	<u>Participation Assumption</u>
< 50	0%
50 – 55	15%
55 +	50%

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Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and contributions of the City's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

F. Total OPEB Liability

The total OPEB liability of \$18,132,869 (City) and \$324,655 (Component Units) was measured as of December 31, 2018, and was determined by an actuarial valuation as of December 31, 2018.

The total OPEB liability and related information are as follows for the City and its component units at September 30, 2019:

	Total OPEB Liability
Balance as of October 1, 2018	\$ 16,504,027
Changes for the year:	
Service cost	1,249,905
Interest on total OPEB liability	561,769
Effect of difference in expected and actual experience	300,000
Change of assumptions (discount rate change)	156,041
Benefit payments	<u>(314,218)</u>
Balance as of September 30, 2019	<u>\$ 18,457,524</u>
 City	 <u>\$ 18,132,869</u>
 Component Units	 <u>\$ 324,655</u>

Although not considered contributions under GASB 75, the City has assigned \$5,511,473 of fund balance in the General Fund for funding of the total OPEB liability.

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G. OPEB Expense and Deferred Outflows of Resources Related to OPEBs:

At September 30, 2019, the City and its component units reported deferred outflows of resources related to OPEBs from the following sources:

	Primary Government	MEDC	MCDC	MCVB
	Deferred Outflows of Resources	Deferred Outflows of Resources	Deferred Outflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 269,318	\$ 3,314	\$ 534	\$ 974
Changes of assumptions	776,589	9,556	1,539	2,809
Benefit payments subsequent to the measurement date through year-end	<u>181,169</u>	<u>2,229</u>	<u>359</u>	<u>655</u>
Total	<u><u>\$ 1,227,076</u></u>	<u><u>\$ 15,099</u></u>	<u><u>\$ 2,432</u></u>	<u><u>\$ 4,438</u></u>

Deferred outflows of resources related to OPEBs resulting from benefit payments subsequent to the measurement date of \$181,169 and \$3,243 will be recognized as a reduction of the total OPEB liability of the City and its component units, respectively, for the year ending September 30, 2020.

Other amounts reported as deferred outflows related to OPEBs will be recognized in OPEB expense as follows:

Year Ended September 30	Primary Government	MEDC	MCDC	MCVB
2019	\$ 115,918	\$ 1,426	\$ 230	\$ 419
2020	115,918	1,426	230	419
2021	115,918	1,426	230	419
2022	115,918	1,426	230	419
2023	115,918	1,426	230	419
Thereafter	<u>466,317</u>	<u>5,740</u>	<u>923</u>	<u>1,688</u>
Total	<u><u>\$ 1,045,907</u></u>	<u><u>\$ 12,870</u></u>	<u><u>\$ 2,073</u></u>	<u><u>\$ 3,783</u></u>

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H. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City and its component units, calculated using the discount rate of 3.71%, as well as what the City and its component unit's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.71%) or 1-percentage-point higher (4.71%) than the current discount rate:

	1% Decrease in Discount Rate (2.71%)	Current Discount Rate (3.71%)	1% Increase in Discount Rate (4.71%)
City's total OPEB liability	\$ 20,090,371	\$ 18,132,856	\$ 16,371,471
Component unit's total OPEB liability			
MEDC	247,221	223,126	201,458
MCDC	39,816	35,938	32,446
MCVB	72,680	65,591	59,226

I. Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the City and its component units, as well as what the City and its component unit's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Healthcare Cost Trend Rates Assumption	1% Increase
City's total OPEB liability	\$ 15,839,737	\$ 18,132,856	\$ 20,870,219
Component unit's total OPEB liability			
MEDC	194,915	223,126	256,817
MCDC	31,392	35,938	41,362
MCVB	57,302	65,591	75,501

(7) SUPPLEMENTAL DEATH BENEFIT FUND

A. Plan Description

The City contributes to a single-employer defined benefit OPEB plan, the group-term life insurance plan known as the SDBF. This is a voluntary program administered by the Texas Municipal Retirement System (TMRS) in which the City elected, by ordinance, to provide group term life insurance coverage to active and retired members. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

B. Benefits Provided

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered another postemployment benefit (OPEB) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

The member city contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers.

As of December 31, 2018, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	213
Inactive employees entitled to but not yet receiving benefits	120
Active employees	<u>1,116</u>
	<u><u>1,449</u></u>

C. Accounting Policies

An irrevocable trust has not been established that meets the criteria in paragraph 4 of GASB Statement No. 75. Therefore, the plan is not accounted for as a trust fund. The plan does not issue a separate financial report.

CITY OF MCKINNEY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

D. Actuarial Methods and Assumptions

Significant methods and assumptions used in the December 31, 2018, actuarial valuation are as follows:

Actuarial Cost Method	Entry Age Normal
Discount Rate	3.71% as of December 31, 2018 (3.31% in prior year) Source: Fidelity Index's "20-Year Municipal GO AA Index"
Inflation	2.50%
Salary Increases	3.50% to 10.50%, including inflation
Retirees' share of benefit related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates – disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

E. Total OPEB Liability

The City's total OPEB liability of \$1,695,134 was measured as of December 31, 2018, and was determined by an actuarial valuation as of that date.

The total OPEB liability and related information are as follows for the City at September 30, 2019:

	Total OPEB Liability
Balance as of October 1, 2017	\$ 1,695,134
Changes for the year:	
Service cost	139,551
Interest on total OPEB liability	58,290
Effect of difference in expected and actual experience	304,379
Change of assumptions (discount rate change)	(147,679)
Benefit payments	(7,751)
Balance as of September 30, 2018	\$ 2,041,924

CITY OF MCKINNEY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

F. OPEB Expense and Deferred Outflows of Resources Related to OPEBs:

For the year ended September 30, 2019, the City recognized OPEB expense of \$235,811.

At September 30, 2019, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 267,707	\$ -
Changes of assumptions	120,272	(129,886)
Benefit payments subsequent to the measurement date through year-end	<u>78,600</u>	<u>-</u>
Total	<u><u>\$ 466,579</u></u>	<u><u>\$ (129,886)</u></u>

Benefit payments subsequent to the measurement date and before fiscal year-end of \$78,600 will be recognized as a reduction of the total OPEB liability in the year ending September 30, 2020.

Other amounts reported as deferred outflows related to OPEBs will be recognized in OPEB expense as follows:

Year Ended September 30	
2020	\$ 37,970
2021	37,970
2022	37,970
2023	37,970
2024	37,970
Thereafter	<u>68,243</u>
Total	<u><u>\$ 258,093</u></u>

CITY OF MCKINNEY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

G. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.71%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.71%) or 1-percentage-point higher (4.71%) than the current discount rate:

	1% Decrease in Discount Rate (2.71%)	Current Discount Rate (3.71%)	1% Increase in Discount Rate (4.71%)
City's total OPEB liability	\$ 2,445,254	\$ 2,041,924	\$ 1,736,591

(7) DISCLOSURES ABOUT FAIR VALUE OF ASSETS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

A. Investment in State Investment Pools

During the year, the City invested in multiple public fund investment pools, including TexPool, LOGIC, TexasDAILY and Texas CLASS. Investments in the pools are not categorized in accordance with GASB Statement No. 3 disclosure requirements since the City has not been issued certificates, but rather it owns an individual beneficial interest in the net position of the related investment pools. The fair value of the position of the pools for LOGIC, TexasDAILY and Texas CLASS are measured at net asset value and is designed to approximate the share value. The fair value of the position of in TexPool is measured at amortized cost as the pool meets requirements of GASB No. 79. Each pool's governing body is comprised of individuals who are employees, officers, or elected officials of participants in the funds or who do not have a business relationship with the fund and are qualified to advise. Investment objective and strategies of the pools are to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. Pools offer same day access to investment funds and does not have any limitations or restrictions on withdrawals.

CITY OF MCKINNEY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

B. Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2019:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>PRIMARY GOVERNMENT</u>				
Investments by Fair Value Level				
Federal agency securities	\$ 61,476,658	\$ -	\$ 61,476,658	\$ -
Municipal bonds	694,215	-	694,215	-
Total Investments by Fair Value Level	62,170,873	\$ -	\$ 62,170,873	\$ -
Investments Measured at Net Asset Value				
LOGIC	96,620,133			
TexasDAILY	95,000,778			
Texas CLASS	98,316,243			
	<u>289,937,154</u>			
Investment Measured at Amortized Cost				
TexPool/TexPOOL Prime	127,412,400			
Non-negotiable Certificates of Deposit	<u>5,280,687</u>			
Total Investments	\$ 484,801,114			
<u>MEDC</u>				
Investments by Fair Value Level				
Federal agency securities	\$ 4,003,960	\$ -	\$ 4,003,960	\$ -
Investments Measured at Net Asset Value				
LOGIC	1,619,221			
TexasDAILY	202,700			
Texas CLASS	5,161,856			
	<u>6,983,777</u>			
Investment Measured at Amortized Cost				
TexPool/TexPOOL Prime	<u>3,534,531</u>			
Total Investments	\$ 14,522,268			
<u>MCDC</u>				
Investments by Fair Value Level				
Federal agency securities	\$ 3,130,157	\$ -	\$ 3,130,157	\$ -
Investments Measured at Net Asset Value				
LOGIC	13,320,390			
TexasDAILY	9,799,718			
Texas CLASS	12,354,555			
	<u>35,474,663</u>			
Investment Measured at Amortized Cost				
TexPool/TexPOOL Prime	<u>18,679,578</u>			
Total Investments	\$ 57,284,398			

Certain investments that are measured using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above approximate net asset value for all related external investment pool balances.

CITY OF MCKINNEY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. At September 30, 2019, no investments held by the City met the Level 3 hierarchy classification.

(8) WATER PURCHASE, WASTEWATER AND SOLID WASTE DISPOSAL CONTRACTS

The City has a contract with the North Texas Municipal Water District (NTMWD) to purchase substantially all of its water. Under the contract, the City pays NTMWD a rate based on water usage. The rates charged are subject to minimum annual contract payments. Contract payments for water for the year ended September 30, 2019, were \$34,430,205.

The City has a contract with NTMWD whereby NTMWD agreed to provide a wastewater treatment and disposal system for the benefit of the City and any "additional member city," as defined. Each member city pays an "annual payment," as defined, as its share of operating expenses and debt service of NTMWD. The City's annual payment for the year ended September 30, 2019, was \$19,819,559.

The City has a contract with NTMWD whereby NTMWD agreed to dispose of solid waste for the City and any "additional member city," as defined. Each member city pays an "annual payment," as defined, as its share of operating expenses and debt service of NTMWD. The City's annual payment for the year ended September 30, 2019, was \$5,386,993.

(9) LITIGATION

The City is party to several legal actions arising in the ordinary course of business. In the opinion of the City's management, the City has adequate legal defense and/or insurance coverage regarding each of these actions and does not believe that they will materially affect the City's operations or financial position.

(10) CONTINGENT LIABILITIES

The City participates in a number of Federal and State funded grant programs. These programs are subject to program compliance audits and adjustments by the grantor agencies or their representatives. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. Any liability for reimbursement, which may arise as the result of these audits is not believed to be material.

NTMWD has issued revenue bonds for systems that service participating cities. Member cities including McKinney have guaranteed to pay their share of debt service, and certain related administrative costs. NTMWD allocates these costs annually based on each city's pro-rata usage of the respective systems.

CITY OF MCKINNEY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Outstanding principal balances as of September 30, 2019, are as follows:

	NTMWD Debt Service *	McKinney's Allocated Share
Water System	\$ 2,567,405,000	\$ 313,998,061
Wastewater System	625,445,000	128,394,793
Solid Waste System	52,190,000	11,603,458
Total	\$ 3,245,040,000	\$ 453,996,312

* Only represents NTMWD debt service related to systems servicing McKinney. It may not reflect NTMWD's total debt service.

(11) INSURANCE AND RISK MANAGEMENT

The City's Insurance and Risk Management Internal Service Fund accounts for health care claims, workers' compensation claims, property, and general liability claims.

The City provides health care benefits to City employees under a partially self-insured plan (Plan). Under the Plan, the City and the employees pay a predetermined monthly premium, which is based on the projected claims cost for the Plan and the extent of medical coverage selected by the employee. The monthly premiums are deposited into the Insurance and Risk Fund and are used to pay claims as they are submitted. The City's liability is limited by an excess (stop loss) insurance policy covering individual claims in excess of \$150,000. The City utilizes Cigna as a third party administrator to adjudicate and pay medical claims on behalf of the City. Throughout the policy year, the "stop loss" insurance carrier reimburses the City for claims paid during the policy year which exceeded the "stop loss" deductible amount.

For the year ended September 30, 2019, the City and the City's employees' contributions paid under the Plan were \$16,108,134 and \$2,799,748, respectively.

The City participates in the Texas Municipal League Intergovernmental Risk Pool (TMLIRP) for workers' compensation claims, liability (general, automobile, law enforcement and errors/omissions), and property insurance. The Insurance and Risk Management internal service fund allocates costs to each department in order to pay deductibles and workers' compensation premium costs (TMLIRP contributions). This cost is based on the pool's claims cost, which is adjusted to reflect the City's individual claims experience.

The City has a workers' compensation deductible of \$25,000 per accident, with an annual aggregate retention of \$800,000. During 2019, the City contributed \$938,687 for workers' compensation coverage.

The City maintains deductibles of \$100,000 per occurrence for Error and Omissions, \$50,000 per occurrence for Auto Liability, \$50,000 per occurrence for Law Enforcement Liability and up to \$25,000 per occurrence for all other liability coverages. All insured claims are paid by TMLIRP, with the City reimbursing TMLIRP for the deductible. The City also carries a liability policy for the Airport through STARR Companies with a \$10,000 deductible. During 2019, the City contributed \$1,514,153 for property, general liability and all other coverage.

CITY OF MCKINNEY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

The liabilities for insurance claims reported are based on GASB No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, amended by GASB No. 66, Technical Corrections, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. These liabilities include an estimate for incurred but not reported claims and are included in accounts payable.

The changes in the Insurance and Risk Management liability amount in fiscal 2019 and 2018 were:

	Liability Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments and Changes in Estimates	Liability End of Year
2019				
Health Claims	\$ 511,910	\$ 18,025,474	\$ (17,854,156)	\$ 683,228
Workers' Comp	296,976	697,445	(516,507)	477,914
Total	<u>\$ 808,886</u>	<u>\$ 18,722,919</u>	<u>\$ (18,370,663)</u>	<u>\$ 1,161,142</u>
2018				
Health Claims	\$ 703,885	\$ 13,632,982	\$ (13,824,957)	\$ 511,910
Workers' Comp	375,690	331,557	(405,518)	301,729
Total	<u>\$ 1,079,575</u>	<u>\$ 13,964,539</u>	<u>\$ (14,230,475)</u>	<u>\$ 813,639</u>

There were no significant reductions in insurance coverage from the prior year. There have been no claim settlements in excess of insurance coverage in the last three years.

(12) TAX ABATEMENTS AND GRANTS

The City offers property and sales tax abatement/grant agreements with local businesses under Chapter 312 and Chapter 380 of the Texas Local Government Code. Under these Codes, the City may award tax abatements/grants of up to 100 percent of a business's property and sales taxes for the purpose of attracting or retaining businesses within their jurisdiction. The abatements/grants may be awarded to any business located within or promising to relocate to the City of McKinney.

For the fiscal year ended September 30, 2019, the City paid \$2,114,041 in economic development grants under Chapter 380. This amount is reported in aggregate due to sales tax confidentiality requirements under Texas Tax Code. No tax abatements were made under Chapter 312.

REQUIRED SUPPLEMENTARY INFORMATION



**CITY OF MCKINNEY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST FIVE FISCAL YEARS
(UNAUDITED)**

	Measurement Year 2014	Measurement Year 2015	Measurement Year 2016	Measurement Year 2017	Measurement Year 2018
TOTAL PENSION LIABILITY					
Service cost	\$ 9,534,719	\$ 11,440,134	\$ 11,777,430	\$ 13,043,869	\$ 14,350,469
Interest	13,426,027	14,599,379	15,547,224	17,075,327	18,774,911
Difference between expected and actual experience	(1,820,025)	1,730,171	1,237,911	1,529,198	(714,145)
Change in assumptions	-	(4,050)	-	-	-
Benefit payments, including refunds of employee contributions	(4,612,787)	(6,049,662)	(6,285,532)	(6,828,906)	(7,416,454)
Net Change in Total Pension Liability	16,527,934	21,715,972	22,277,033	24,819,488	24,994,781
Total Pension Liability - Beginning	189,339,391	205,867,325	227,583,297	249,860,330	274,679,818
Total Pension Liability - Ending (a)	205,867,325	227,583,297	249,860,330	274,679,818	299,674,599
PLAN FIDUCIARY NET POSITION					
Contributions - employer	8,510,170	9,752,849	9,615,410	10,718,106	11,908,337
Contributions - employee	3,855,271	4,348,528	4,433,984	4,903,710	5,426,974
Net investment income (loss)	9,074,467	258,721	12,404,196	28,219,049	(7,206,568)
Benefit payments, including refunds of employee contributions	(4,612,787)	(6,049,662)	(6,285,532)	(6,828,906)	(7,416,454)
Administrative expense	(94,724)	(157,574)	(140,032)	(146,159)	(139,143)
Other	(7,788)	(7,782)	(7,545)	(7,407)	(7,270)
Net Change in Plan Fiduciary Net Position	16,724,609	8,145,080	20,020,481	36,858,393	2,565,876
Plan Fiduciary Net Position - Beginning	158,597,927	175,322,536	183,467,616	203,488,097	240,346,490
Plan Fiduciary Net Position - Ending (b)	175,322,536	183,467,616	203,488,097	240,346,490	242,912,366
City's Net Pension Liability - Ending (a) - (b)	<u>\$ 30,544,789</u>	<u>\$ 44,115,681</u>	<u>\$ 46,372,233</u>	<u>\$ 34,333,328</u>	<u>\$ 56,762,233</u>
Plan fiduciary net position as a percentage of total pension liability	85.16%	80.62%	81.44%	87.50%	81.06%
Covered payroll	\$ 54,810,138	\$ 61,939,002	\$ 63,285,492	\$ 70,053,001	\$ 77,528,194
City's net pension liability as a percentage of covered payroll	55.73%	71.22%	73.27%	49.01%	73.21%

Other Information:

The discount rate changed from 7.00% to 6.75% for the 2015 valuation; there were no other changes in assumptions.

The information in this schedule has been determined as of the measurement date (December 31) of the City's net pension liability and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provision of GASB 68, only periods for which such information is available are presented.

**CITY OF MCKINNEY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
LAST FIVE FISCAL YEARS
(UNAUDITED)**

	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019
Actuarially determined contribution	\$ 9,195,319	\$ 9,521,438	\$ 10,387,413	\$ 11,618,161	\$ 12,527,597
Contribution in relation of the actuarially determined contribution	<u>9,195,319</u>	<u>9,521,438</u>	<u>10,387,413</u>	<u>11,618,161</u>	<u>12,527,597</u>
Contribution Deficiency (Excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered payroll	\$ 58,299,396	\$ 62,005,210	\$ 68,046,988	\$ 75,718,876	\$ 82,701,398
Contributions as a percentage of covered payroll	15.77%	15.36%	15.27%	15.34%	15.15%

Notes to Schedule:

Valuation Date:

Actuarial determined contribution rates are calculated as of December 31st each year and become effective in January, 12 months and a day later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	27 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 – 2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information: There were no benefit changes during the year.

The information in this schedule has been determined as of the City's most recent fiscal year-end and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provision of GASB 68, only periods for which such information is available are presented.

**CITY OF MCKINNEY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS
(RETIREE HEALTH CARE PLAN)
(UNAUDITED)**

	Measurement Year 2017	Measurement Year 2018
TOTAL OPEB LIABILITY		
Service cost	\$ 918,051	\$ 1,249,905
Interest	564,874	561,769
Difference between expected and actual experience	3,299	300,000
Change of assumptions	797,890	156,041
Benefit payments, including refunds of employee contributions	<u>(294,321)</u>	<u>(314,218)</u>
Net Change in Total OPEB Liability	1,989,793	1,953,497
Total OPEB Liability - Beginning	<u>14,514,234</u>	<u>16,504,027</u>
Total OPEB Liability - Ending (a)	<u><u>16,504,027</u></u>	<u><u>18,457,524</u></u>
Covered Payroll	\$ 70,052,975	\$ 77,528,194
Total OPEB Liability as a Percentage of Covered Payroll	23.56%	23.81%

The information in this schedule has been determined as of the measurement date (December 31) of the City's total OPEB liability and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provision of GASB 75, only periods for which such information is available are presented.

**CITY OF MCKINNEY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS
(SUPPLEMENTAL DEATH BENEFIT FUND)
(UNAUDITED)**

	Measurement Year 2017	Measurement Year 2018
TOTAL OPEB LIABILITY		
Service cost	\$ 112,085	\$ 139,551
Interest	54,057	58,290
Difference between expected and actual experience	-	304,379
Change of assumptions	158,454	(147,679)
Benefit payments, including refunds of employee contributions	(7,005)	(7,751)
Net Change in Total OPEB Liability	317,591	346,790
Total OPEB Liability - Beginning	1,377,543	1,695,134
Total OPEB Liability - Ending (a)	\$ 1,695,134	\$ 2,041,924
Covered Payroll	\$ 70,053,001	\$ 77,528,194
Total OPEB Liability as a Percentage of Covered Payroll	2.42%	2.63%

The information in this schedule has been determined as of the measurement date (December 31) of the City's total OPEB liability and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provision of GASB 75, only periods for which such information is available are presented.

**COMBINING AND INDIVIDUAL
FUND FINANCIAL STATEMENTS
AND SCHEDULES**



CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget- Positive(Negative)
	Original	Final		
REVENUES				
Property tax	\$ 35,264,513	\$ 35,464,513	\$ 35,746,344	\$ 281,831
Investment income	536,000	644,000	615,019	(28,981)
Total Revenues	<u>35,800,513</u>	<u>36,108,513</u>	<u>36,361,363</u>	<u>252,850</u>
EXPENDITURES				
Principal retirement	24,935,000	25,150,000	25,150,000	-
Interest and fiscal charges	10,353,652	10,747,083	10,756,717	(9,634)
Total Expenditures	<u>35,288,652</u>	<u>35,897,083</u>	<u>35,906,717</u>	<u>(9,634)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>511,861</u>	<u>211,430</u>	<u>454,646</u>	<u>243,216</u>
OTHER FINANCING SOURCES				
Issuance of long-term debt	-	-	15,534,126	15,534,126
Premium on issuance of long-term debt	-	-	1,466,500	1,466,500
Deposit to bond refunding escrow agent	-	-	(17,041,496)	(17,041,496)
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>(40,870)</u>	<u>(40,870)</u>
Net Change in Fund Balance	511,861	211,430	413,776	202,346
Fund Balance, Beginning of Year	<u>5,550,814</u>	<u>5,550,814</u>	<u>5,550,814</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 6,062,675</u>	<u>\$ 5,762,244</u>	<u>\$ 5,964,590</u>	<u>\$ 202,346</u>

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual Amount	
REVENUES				
Intergovernmental	\$ 2,089,706	\$ 13,898,344	\$ 4,927,033	\$ (8,971,311)
Charges for services	695,499	695,499	690,859	(4,640)
Contributions	24,635,000	32,607,820	13,898,366	(18,709,454)
Investment income	3,738,000	4,200,253	4,301,535	101,282
Miscellaneous	-	-	227,287	227,287
Total Revenues	<u>31,158,205</u>	<u>51,401,916</u>	<u>24,045,080</u>	<u>(27,356,836)</u>
EXPENDITURES				
General government	3,753,658	37,133,613	7,663,962	29,469,651
Police	-	1,905,296	1,905,296	-
Fire	7,135,000	8,767,063	5,909,589	2,857,474
Libraries	-	9,051,518	2,337,301	6,714,217
Parks and recreation	13,671,594	36,920,404	10,010,983	26,909,421
Public works	28,869,647	123,633,523	21,123,918	102,509,605
Interest and fiscal charges	360,000	562,847	520,954	41,893
Total Expenditures	<u>53,789,899</u>	<u>217,974,264</u>	<u>49,472,003</u>	<u>168,502,261</u>
Deficiency of Revenues Over Expenditures	<u>(22,631,694)</u>	<u>(166,572,348)</u>	<u>(25,426,923)</u>	<u>141,145,425</u>
OTHER FINANCING SOURCES				
Issuance of long-term debt	18,000,000	49,269,920	43,520,874	(5,749,046)
Premium on long-term debt	-	-	6,218,225	6,218,225
Transfers in (out)	3,500,000	5,742,620	5,742,620	-
Total Other Financing Sources	<u>21,500,000</u>	<u>55,012,540</u>	<u>55,481,719</u>	<u>469,179</u>
Net Change in Fund Balances	<u>(1,131,694)</u>	<u>(111,559,808)</u>	<u>30,054,796</u>	<u>141,614,604</u>
Fund Balance, Beginning of Year	<u>166,550,167</u>	<u>166,550,167</u>	<u>166,550,167</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 165,418,473</u>	<u>\$ 54,990,359</u>	<u>\$ 196,604,963</u>	<u>\$ 141,614,604</u>

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

HOTEL/MOTEL FUND – to account for a 7% hotel/motel tax imposed on lodging fees for the purpose of funding activities and programs that are allowed by the hotel/motel tax to promote tourism.

LAW ENFORCEMENT FUND – to account for donations and funds derived from police investigation of criminal activities.

DONATIONS FUND – to account for funds provided by private donors and other governmental agencies for the specific purpose(s) designated by the donor.

COMMUNITY HOUSING FUND – to account for grants and funding received for affordable housing programs.

GRANTS FUND – to account for local, state, federal, and private grants received for governmental operations and projects.

URBAN TRANSIT DISTRICT FUND – to account for joint use transit operations of four member cities including joint cost arrangement and administration and use of grant funding.

HOUSING FINANCE FUND – to account for financing the cost of residential ownership and development on behalf of the City to provide decent, safe and sanitary housing for City residents at affordable prices.

TAX INCREMENT REINVESTMENT ZONE 1 (TIRZ 1) – to account for property and sales taxes collected in the TIRZ 1 zone for the purpose of funding infrastructure and projects in the Historic Town Center.

TAX INCREMENT REINVESTMENT ZONE 2 (TIRZ 2) – to account for property and sales taxes collected in the TIRZ 2 zone for the purpose of funding infrastructure in and around the Airport.

PEG CABLE CHANNEL FUND – to account for fees received from cable operators within the City for the purpose of funding expenditures relating to the PEG (Public, Educational, and Governmental) Cable Channel.

**CITY OF MCKINNEY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Special Revenue Funds				
	Hotel/Motel	Law Enforcement	Donations	Community Housing	Grants
ASSETS					
Cash and cash equivalents	\$ 4,462,685	\$ 588,986	\$ 116,803	\$ 188,927	\$ 3,112
Receivables:					
Accounts	1,449	-	-	-	-
Other taxes and fees	147,153	-	-	-	-
Due from other governments	-	-	-	107,278	145,648
Prepaid items	-	-	-	3,843	-
Total Assets	\$ 4,611,287	\$ 588,986	\$ 116,803	\$ 300,048	\$ 148,760
LIABILITIES					
Accounts payable	\$ 500	\$ 7,043	\$ 20	\$ 48,494	\$ 46,137
Other accrued liabilities	-	78,476	-	49,193	-
Due to other funds	-	-	-	98,000	75,000
Total Liabilities	500	85,519	20	195,687	121,137
FUND BALANCES					
Nonspendable:					
Prepaid items	-	-	-	3,843	-
Restricted:					
Capital projects	-	-	-	-	-
Law enforcement	-	503,467	-	-	-
Fire	-	-	41,659	-	-
PEG	-	-	-	-	-
Library	-	-	75,015	-	-
Community Housing	-	-	-	100,518	-
Veterans Memorial Park	-	-	109	-	-
Hotel/Motel	4,610,787	-	-	-	-
Transit	-	-	-	-	-
Grants	-	-	-	-	27,623
Total Fund Balances	4,610,787	503,467	116,783	104,361	27,623
Total Liabilities and Fund Balances	\$ 4,611,287	\$ 588,986	\$ 116,803	\$ 300,048	\$ 148,760

Special Revenue Funds					
Urban Transit District	Housing Finance	TIRZ 1	TIRZ 2	PEG Cable Channel	Total Nonmajor Governmental Funds
\$ 13,467	\$ 104,424	\$ 8,221,644	\$ 2,307,224	\$ 1,790,858	\$ 17,798,130
-	-	-	-	-	1,449
-	-	10,359	3,117	84,513	245,142
231,973	-	-	-	-	484,899
-	-	-	-	-	3,843
<u>\$ 245,440</u>	<u>\$ 104,424</u>	<u>\$ 8,232,003</u>	<u>\$ 2,310,341</u>	<u>\$ 1,875,371</u>	<u>\$ 18,533,463</u>
\$ 59,146	\$ 345	\$ -	\$ -	\$ 10,653	\$ 172,338
3,173	-	-	-	-	130,842
-	-	-	-	-	173,000
<u>62,319</u>	<u>345</u>	<u>-</u>	<u>-</u>	<u>10,653</u>	<u>476,180</u>
-	-	-	-	-	3,843
-	-	8,232,003	2,310,341	-	10,542,344
-	-	-	-	-	503,467
-	-	-	-	-	41,659
-	-	-	-	1,864,718	1,864,718
-	-	-	-	-	75,015
-	104,079	-	-	-	204,597
-	-	-	-	-	109
-	-	-	-	-	4,610,787
183,121	-	-	-	-	183,121
-	-	-	-	-	27,623
<u>183,121</u>	<u>104,079</u>	<u>8,232,003</u>	<u>2,310,341</u>	<u>1,864,718</u>	<u>18,057,283</u>
<u>\$ 245,440</u>	<u>\$ 104,424</u>	<u>\$ 8,232,003</u>	<u>\$ 2,310,341</u>	<u>\$ 1,875,371</u>	<u>\$ 18,533,463</u>

**CITY OF MCKINNEY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Special Revenue Funds				
	Hotel/Motel	Law Enforcement	Donations	Community Housing	Grants
REVENUES					
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -
Sales and use taxes	1,697,673	-	-	-	-
Other taxes and fees	-	-	-	-	-
Intergovernmental	-	-	-	766,594	637,052
Charges for services	-	-	-	-	-
Fines and forfeitures	-	101,895	-	-	-
Investment income	88,113	413	477	484	-
Contributions	-	36,073	27,125	-	500
Miscellaneous	2,244	-	-	-	1,658
Total Revenues	1,788,030	138,381	27,602	767,078	639,210
EXPENDITURES					
Current:					
General government	788,746	-	-	-	29,400
Police	-	73,396	-	-	162,545
Fire	-	-	14,196	-	506,413
Libraries	-	-	10,236	-	498
Development	-	-	-	775,367	3,675
Parks and recreation	-	-	5,796	-	-
Capital expenditures:					
General government	-	-	-	-	-
Development	-	-	-	7,095	-
Police	-	50,114	-	-	-
Fire	-	-	-	-	87,207
Total Expenditures	788,746	123,510	30,228	782,462	789,738
Excess (Deficiency) of Revenues Over Expenditures	999,284	14,871	(2,626)	(15,384)	(150,528)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	13,200	-
Transfers out	(193,950)	-	-	-	-
Total Other Financing Sources (Uses)	(193,950)	-	-	13,200	-
Net Change in Fund Balance	805,334	14,871	(2,626)	(2,184)	(150,528)
Fund Balance, Beginning of Year	3,805,453	488,596	119,409	106,545	178,151
Fund Balance, End of Year	\$ 4,610,787	\$ 503,467	\$ 116,783	\$ 104,361	\$ 27,623

Special Revenue Funds					
Urban Transit District	Housing Finance	TIRZ 1	TIRZ 2	PEG Cable Channel	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 1,213,945	\$ 331,491	\$ -	\$ 1,545,436
-	-	1,580,831	820,821	-	4,099,325
-	-	-	-	340,802	340,802
481,492	-	-	-	-	1,885,138
-	33,095	-	-	-	33,095
-	-	-	-	-	101,895
483	532	234,909	24,496	32,786	382,693
-	-	-	-	-	63,698
-	-	-	-	-	3,902
481,975	33,627	3,029,685	1,176,808	373,588	8,455,984
360,256	51,467	96,068	-	13,073	1,339,010
-	-	-	-	-	235,941
-	-	-	-	-	520,609
-	-	-	-	-	10,734
-	-	-	-	-	779,042
-	-	-	-	-	5,796
113,411	-	-	-	-	113,411
-	-	-	-	-	7,095
-	-	-	-	-	50,114
-	-	-	-	-	87,207
473,667	51,467	96,068	-	13,073	3,148,959
8,308	(17,840)	2,933,617	1,176,808	360,515	5,307,025
100,000	-	-	-	-	113,200
-	-	(3,903,060)	(22,000)	-	(4,119,010)
100,000	-	(3,903,060)	(22,000)	-	(4,005,810)
108,308	(17,840)	(969,443)	1,154,808	360,515	1,301,215
74,813	121,919	9,201,446	1,155,533	1,504,203	16,756,068
\$ 183,121	\$ 104,079	\$ 8,232,003	\$ 2,310,341	\$ 1,864,718	\$ 18,057,283

**CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
HOTEL/MOTEL FUND
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Budgeted Amounts		Actual Amount	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Sales and use taxes	\$ 1,650,000	\$ 1,700,000	\$ 1,697,673	\$ (2,327)
Investment income	69,000	80,000	88,113	8,113
Miscellaneous	1,500	1,500	2,244	744
Total Revenues	<u>1,720,500</u>	<u>1,781,500</u>	<u>1,788,030</u>	<u>6,530</u>
EXPENDITURES				
General government	<u>788,000</u>	<u>838,000</u>	<u>788,746</u>	<u>49,254</u>
Total Expenditures	<u>788,000</u>	<u>838,000</u>	<u>788,746</u>	<u>49,254</u>
Excess of Revenues Over Expenditures	<u>932,500</u>	<u>943,500</u>	<u>999,284</u>	<u>55,784</u>
OTHER FINANCING USES				
Transfers out	<u>(193,950)</u>	<u>(193,950)</u>	<u>(193,950)</u>	<u>-</u>
Total Other Financing Uses	<u>(193,950)</u>	<u>(193,950)</u>	<u>(193,950)</u>	<u>-</u>
Net Change in Fund Balance	738,550	749,550	805,334	55,784
Fund Balance, Beginning of Year	<u>3,805,453</u>	<u>3,805,453</u>	<u>3,805,453</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 4,544,003</u>	<u>\$ 4,555,003</u>	<u>\$ 4,610,787</u>	<u>\$ 55,784</u>

**CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
LAW ENFORCEMENT FUND
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Budgeted Amounts		Actual Amount	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Fines and forfeitures	\$ 149,950	\$ 149,950	\$ 101,895	\$ (48,055)
Investment income	350	250	413	163
Contributions	49,800	49,800	36,073	(13,727)
Total Revenues	<u>200,100</u>	<u>200,000</u>	<u>138,381</u>	<u>(61,619)</u>
EXPENDITURES				
Police	<u>200,000</u>	<u>200,000</u>	<u>123,510</u>	<u>76,490</u>
Total Expenditures	<u>200,000</u>	<u>200,000</u>	<u>123,510</u>	<u>76,490</u>
Net Change in Fund Balance	100	-	14,871	14,871
Fund Balance, Beginning of Year	<u>488,596</u>	<u>488,596</u>	<u>488,596</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 488,696</u>	<u>\$ 488,596</u>	<u>\$ 503,467</u>	<u>\$ 14,871</u>

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
DONATIONS FUND
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual Amount	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Investment income	\$ 650	\$ 100	\$ 477	\$ 377
Contributions	12,500	12,500	27,125	14,625
Total Revenues	13,150	12,600	27,602	15,002
EXPENDITURES				
Fire	14,500	14,500	14,196	304
Libraries	50,000	50,000	10,236	39,764
Parks and recreation	6,000	6,000	5,796	204
Total Expenditures	70,500	70,500	30,228	40,272
Net Change in Fund Balance	(57,350)	(57,900)	(2,626)	55,274
Fund Balance, Beginning of Year	119,409	119,409	119,409	-
Fund Balance, End of Year	\$ 62,059	\$ 61,509	\$ 116,783	\$ 55,274

**CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
COMMUNITY HOUSING FUND
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Budgeted Amounts		Actual Amount	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,562,812	\$ 1,703,336	\$ 766,594	\$ (936,742)
Investment income	350	330	484	154
Miscellaneous	15,000	15,000	-	(15,000)
Total Revenues	<u>1,578,162</u>	<u>1,718,666</u>	<u>767,078</u>	<u>(951,588)</u>
EXPENDITURES				
Development	<u>1,598,797</u>	<u>1,748,036</u>	<u>782,462</u>	<u>965,574</u>
Total Expenditures	<u>1,598,797</u>	<u>1,748,036</u>	<u>782,462</u>	<u>965,574</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(20,635)</u>	<u>(29,370)</u>	<u>(15,384)</u>	<u>13,986</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>-</u>	<u>13,200</u>	<u>13,200</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>13,200</u>	<u>13,200</u>	<u>-</u>
Net Change in Fund Balance	(20,635)	(16,170)	(2,184)	13,986
Fund Balance, Beginning of Year	<u>106,545</u>	<u>106,545</u>	<u>106,545</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 85,910</u>	<u>\$ 90,375</u>	<u>\$ 104,361</u>	<u>\$ 13,986</u>

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
GRANTS FUND
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual Amount	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,345,812	\$ 983,916	\$ 637,052	\$ (346,864)
Contributions	500	500	500	-
Miscellaneous	-	-	1,658	1,658
Total Revenues	1,346,312	984,416	639,210	(345,206)
EXPENDITURES				
General government	276,335	49,000	29,400	19,600
Police	198,489	198,489	162,545	35,944
Fire	822,766	822,766	593,620	229,146
Libraries	7,500	7,500	498	7,002
Development	114,001	114,001	3,675	110,326
Total Expenditures	1,419,091	1,191,756	789,738	402,018
Excess (Deficiency) of Revenues Over Expenditures	(72,779)	(207,340)	(150,528)	56,812
OTHER FINANCING SOURCES				
Transfers in	72,779	77,340	-	(77,340)
Total Other Financing Sources	72,779	77,340	-	(77,340)
Net Change in Fund Balance	-	(130,000)	(150,528)	(20,528)
Fund Balance, Beginning of Year	178,151	178,151	178,151	-
Fund Balance, End of Year	\$ 178,151	\$ 48,151	\$ 27,623	\$ (20,528)

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
URBAN TRANSIT DISTRICT FUND
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual Amount	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 691,604	\$ 691,604	\$ 481,492	\$ (210,112)
Investment income	100	400	483	83
Total Revenues	<u>691,704</u>	<u>692,004</u>	<u>481,975</u>	<u>(210,029)</u>
EXPENDITURES				
General government	<u>791,010</u>	<u>795,348</u>	<u>473,667</u>	<u>321,681</u>
Total Expenditures	<u>791,010</u>	<u>795,348</u>	<u>473,667</u>	<u>321,681</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(99,306)</u>	<u>(103,344)</u>	<u>8,308</u>	<u>111,652</u>
OTHER FINANCING SOURCES				
Transfers in	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Total Other Financing Sources	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Net Change in Fund Balance	694	(3,344)	108,308	111,652
Fund Balance, Beginning of Year	<u>74,813</u>	<u>74,813</u>	<u>74,813</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 75,507</u>	<u>\$ 71,469</u>	<u>\$ 183,121</u>	<u>\$ 111,652</u>

**CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
HOUSING FINANCE FUND
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Budgeted Amounts		Actual Amount	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 15,000	\$ 15,000	\$ 33,095	\$ 18,095
Investment income	500	400	532	132
Total Revenues	<u>15,500</u>	<u>15,400</u>	<u>33,627</u>	<u>18,227</u>
EXPENDITURES				
General government	<u>68,680</u>	<u>68,680</u>	<u>51,467</u>	<u>17,213</u>
Total Expenditures	<u>68,680</u>	<u>68,680</u>	<u>51,467</u>	<u>17,213</u>
Net Change in Fund Balance	(53,180)	(53,280)	(17,840)	35,440
Fund Balance, Beginning of Year	<u>121,919</u>	<u>121,919</u>	<u>121,919</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 68,739</u>	<u>\$ 68,639</u>	<u>\$ 104,079</u>	<u>\$ 35,440</u>

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
TIRZ 1 FUND
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual Amount	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 1,231,041	\$ 1,231,041	\$ 1,213,945	\$ (17,096)
Sales and use taxes	1,162,012	1,577,668	1,580,831	3,163
Investment income	162,000	215,000	234,909	19,909
Total Revenues	<u>2,555,053</u>	<u>3,023,709</u>	<u>3,029,685</u>	<u>5,976</u>
EXPENDITURES				
General government	100,000	183,174	96,068	87,106
Development	1,364,060	-	-	-
Total Expenditures	<u>1,464,060</u>	<u>183,174</u>	<u>96,068</u>	<u>87,106</u>
Excess of Revenues Over Expenditures	<u>1,090,993</u>	<u>2,840,535</u>	<u>2,933,617</u>	<u>93,082</u>
OTHER FINANCING USES				
Transfers out	(39,000)	(3,903,060)	(3,903,060)	-
Total Other Financing Uses	<u>(39,000)</u>	<u>(3,903,060)</u>	<u>(3,903,060)</u>	<u>-</u>
Net Change in Fund Balance	1,051,993	(1,062,525)	(969,443)	93,082
Fund Balance, Beginning of Year	<u>9,201,446</u>	<u>9,201,446</u>	<u>9,201,446</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 10,253,439</u>	<u>\$ 8,138,921</u>	<u>\$ 8,232,003</u>	<u>\$ 93,082</u>

CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
TIRZ 2 FUND
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual Amount	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 313,292	\$ 313,292	\$ 331,491	\$ 18,199
Sales and use taxes	988,930	706,500	820,821	114,321
Investment income	48,000	20,000	24,496	4,496
Total Revenues	<u>1,350,222</u>	<u>1,039,792</u>	<u>1,176,808</u>	<u>137,016</u>
OTHER FINANCING USES				
Transfers out	(22,000)	(22,000)	(22,000)	-
Total Other Financing Uses	<u>(22,000)</u>	<u>(22,000)</u>	<u>(22,000)</u>	<u>-</u>
Net Change in Fund Balance	1,328,222	1,017,792	1,154,808	137,016
Fund Balance, Beginning of Year	<u>1,155,533</u>	<u>1,155,533</u>	<u>1,155,533</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 2,483,755</u>	<u>\$ 2,173,325</u>	<u>\$ 2,310,341</u>	<u>\$ 137,016</u>

**CITY OF MCKINNEY, TEXAS
BUDGETARY COMPARISON SCHEDULE (GAAP BASIS)
PEG CABLE CHANNEL FUND
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Budgeted Amounts		Actual Amount	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Other taxes and fees	\$ 400,000	\$ 350,000	\$ 340,802	\$ (9,198)
Investment income	32,000	30,500	32,786	2,286
Total Revenues	<u>432,000</u>	<u>380,500</u>	<u>373,588</u>	<u>(6,912)</u>
EXPENDITURES				
General government	<u>115,000</u>	<u>126,400</u>	<u>13,073</u>	<u>113,327</u>
Total Expenditures	<u>115,000</u>	<u>126,400</u>	<u>13,073</u>	<u>113,327</u>
Net Change in Fund Balance	317,000	254,100	360,515	106,415
Fund Balance, Beginning of Year	<u>1,504,203</u>	<u>1,504,203</u>	<u>1,504,203</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 1,821,203</u></u>	<u><u>\$ 1,758,303</u></u>	<u><u>\$ 1,864,718</u></u>	<u><u>\$ 106,415</u></u>



NONMAJOR ENTERPRISE AND INTERNAL SERVICE FUNDS

GOLF COURSE FUND – to account for revenue received and operating expenses incurred in the operation of Oak Hollow Municipal Golf Course.

SURFACE WATER DRAINAGE UTILITY FUND – to account for revenue paid by utility customers and allowable expenses under the Surface Drainage Utility System Ordinance.

SOLID WASTE FUND – to account for revenues and operating costs of providing solid waste and recycling services.

INSURANCE RISK AND MANAGEMENT FUND – to account for costs associated with workers' compensation, property and liability insurance and with health and dental benefits of employees, retirees, and covered dependents.

FLEET MAINTENANCE FUND – to account for costs associated with maintenance of the City's operation and service vehicles.



CITY OF MCKINNEY, TEXAS
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Business-type Activities – Enterprise Funds			
	Golf Course	Surface Water Drainage	Solid Waste	Total Nonmajor Enterprise Funds
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 210,264	\$ 5,765,313	\$ 10,320,264	\$ 16,295,841
Investments	-	-	1,999,020	1,999,020
Restricted assets:				
Cash and cash equivalents	10,000	-	-	10,000
Accrued interest	-	-	10,049	10,049
Accounts receivable (net of allowance for uncollectibles)	8,727	427,051	1,553,432	1,989,210
Notes receivable - interfund	-	-	5,303,545	5,303,545
Prepaid items	-	-	260,900	260,900
Total Current Assets	228,991	6,192,364	19,447,210	25,868,565
NONCURRENT ASSETS				
Capital assets:				
Land	402,213	-	164,296	566,509
Buildings	1,488,882	-	164,402	1,653,284
Improvements other than buildings	2,548,170	-	364,127	2,912,297
Machinery and equipment	396,138	1,316,946	718,458	2,431,542
Construction in progress	-	612	-	612
Less accumulated depreciation	(3,279,339)	(546,830)	(875,811)	(4,701,980)
Net Capital Assets	1,556,064	770,728	535,472	2,862,264
Total Assets	1,785,055	6,963,092	19,982,682	28,730,829
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension outflows	-	310,432	243,090	553,522
Deferred OPEB outflows	-	16,131	12,632	28,763
Total Deferred Outflows of Resources	-	326,563	255,722	582,285
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	-	298,019	89,350	387,369
Other accrued liabilities	-	57,857	887,665	945,522
Due to other funds	-	-	51,921	51,921
Notes payable	52,292	-	-	52,292
Compensated absences	-	9,101	7,406	16,507
Total Current Liabilities	52,292	364,977	1,036,342	1,453,611
Payable from restricted assets:				
Deposits	10,000	-	-	10,000
Total Current Liabilities Payable from Restricted Assets	10,000	-	-	10,000
NONCURRENT LIABILITIES				
Compensated absences	-	134,672	109,585	244,257
Notes payable	576,753	-	-	576,753
Net pension liability	-	733,052	574,027	1,307,079
Total OPEB liability	-	238,369	186,658	425,027
Total Noncurrent Liabilities	576,753	1,106,093	870,270	2,553,116
Total Liabilities	639,045	1,471,070	1,906,612	4,016,727
DEFERRED INFLOWS OF RESOURCES				
Deferred pension inflows	-	15,076	11,805	26,881
NET POSITION				
Net investment in capital assets	1,556,064	770,728	535,472	2,862,264
Unrestricted	(410,054)	5,032,781	17,784,515	22,407,242
Total Net Position	\$ 1,146,010	\$ 5,803,509	\$ 18,319,987	\$ 25,269,506

CITY OF MCKINNEY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Business-type Activities – Enterprise Funds			
	Golf Course	Surface Water Drainage	Solid Waste	Total Nonmajor Enterprise Funds
OPERATING REVENUES				
Charges for services	\$ 29,642	\$ 3,907,784	\$ 8,672,740	\$ 12,610,166
Miscellaneous	59,651	1,409	54,527	115,587
Total Operating Revenues	89,293	3,909,193	8,727,267	12,725,753
OPERATING EXPENSES:				
Personnel services	-	1,617,069	1,261,059	2,878,128
Materials and supplies	-	81,236	46,243	127,479
Maintenance	-	276,730	44,485	321,215
Contract payments	-	978,949	6,245,430	7,224,379
Utilities	743	2,096	0	2,839
Depreciation	59,727	46,610	60,194	166,531
Other	18,844	51,374	48,427	118,645
Total Operating Expenses	79,314	3,054,064	7,705,838	10,839,216
Operating Income (Loss)	9,979	855,129	1,021,429	1,886,537
NONOPERATING REVENUES (EXPENSES)				
Investment income	766	136,950	348,483	486,199
Gain (loss) on disposal of assets	-	9,343	-	9,343
Total Non-operating Revenues	766	146,293	348,483	495,542
Income (Loss) Before Contributions and Transfers	10,745	1,001,422	1,369,912	2,382,079
Capital Contributions	-	-	-	-
Transfers in	-	-	77,789	77,789
Transfers out	(5,000)	(323,134)	(300,000)	(628,134)
Change in Net Position	5,745	678,288	1,147,701	1,831,734
Net Position, Beginning of Year	1,140,265	5,125,221	17,172,286	23,437,772
Net Position, End of Year	\$ 1,146,010	\$ 5,803,509	\$ 18,319,987	\$ 25,269,506

CITY OF MCKINNEY, TEXAS
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Business-type Activities – Enterprise Funds			
	Golf Course	Surface Water Drainage	Solid Waste	Total Nonmajor Enterprise Funds
OPERATING ACTIVITIES				
Cash received from customers	\$ 27,424	\$ 3,920,221	\$ 8,653,855	\$ 12,601,500
Other operating revenues	59,651	-	54,527	114,178
Cash payments for employee services	-	(1,252,584)	(929,502)	(2,182,086)
Cash payments to suppliers for goods and services	(16,169)	(1,151,601)	(6,673,997)	(7,841,767)
Cash paid for services provided by other funds	(3,418)	(322,063)	(266,355)	(591,836)
Net Cash Provided by Operating Activities	67,488	1,193,973	838,528	2,099,989
NONCAPITAL FINANCING ACTIVITIES				
Transfers in	-	-	77,789	77,789
Transfers out	(5,000)	(323,134)	(300,000)	(628,134)
Net Cash Used in Non-capital Financing Activities	(5,000)	(323,134)	(222,211)	(550,345)
CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	-	(655,035)	(24,030)	(679,065)
Proceeds from sale of assets	-	9,343	-	9,343
Principal payments on interfund loan	(51,392)	-	-	(51,392)
Payments from loan to component units	-	-	815,999	815,999
Proceeds from advances from other funds	-	-	376,892	376,892
Net Cash Provided by (Used in) Capital and Related Financing Activities	(51,392)	(645,692)	1,168,861	471,777
INVESTING ACTIVITIES				
Purchase of investment securities	-	-	(33,034)	(33,034)
Investment earnings	766	136,950	348,483	486,199
Net Cash Provided by Investing Activities	766	136,950	315,449	453,165
Net Increase in Cash and Cash Equivalents	11,862	362,097	2,100,627	2,474,586
Cash and Cash Equivalents, Beginning of Year	208,402	5,403,216	8,219,637	13,831,255
Cash and Cash Equivalents, End of Year	\$ 220,264	\$ 5,765,313	\$ 10,320,264	\$ 16,305,841
RECONCILIATION TO THE COMBINING STATEMENT OF NET POSITION				
Unrestricted cash and cash equivalents	\$ 210,264	\$ 5,765,313	\$ 10,320,264	\$ 16,295,841
Restricted cash and cash equivalents	10,000	-	-	10,000
	\$ 220,264	\$ 5,765,313	\$ 10,320,264	\$ 16,305,841
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 9,979	\$ 855,129	\$ 1,021,429	\$ 1,886,537
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	59,727	46,610	60,194	166,531
Change in assets, liabilities and deferred resources				
(Increases) decreases in assets and deferred outflows:				
Accounts receivable	(2,218)	11,028	(18,885)	(10,075)
Prepaid expenses	-	522	(260,149)	(259,627)
Deferred pension outflows	-	(160,145)	(125,406)	(285,551)
Deferred OPEB outflows	-	(6,261)	(4,904)	(11,165)
Increases (decreases) in liabilities and deferred inflows:				
Accounts payable	-	174,404	(530,589)	(356,185)
Accrued liabilities	-	(5,491)	472,369	466,878
Due to other funds	-	-	22,701	22,701
Liability for accrued vacation	-	41,231	16,224	57,455
Net pension liability	-	289,656	226,820	516,476
Total OPEB liability	-	25,229	19,755	44,984
Deferred pension inflows	-	(77,939)	(61,031)	(138,970)
Total Adjustments	57,509	338,844	(182,901)	213,452
Net Cash Provided by Operating Activities	\$ 67,488	\$ 1,193,973	\$ 838,528	\$ 2,099,989

**CITY OF MCKINNEY, TEXAS
STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2019**

	Governmental Activities – Internal Service Funds		
	Insurance Risk and Management	Fleet Maintenance	Total Internal Service Funds
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 12,080,274	\$ -	\$ 12,080,274
Accounts receivable (net of allowance for uncollectibles)	543,213	-	543,213
Total Current Assets	12,623,487	-	12,623,487
NONCURRENT ASSETS			
Restricted cash and cash equivalents	70,000	-	70,000
Total Assets	12,693,487	-	12,693,487
LIABILITIES			
Accounts payable	1,369,193	-	1,369,193
Other accrued liabilities	56,682	-	56,682
Total Liabilities	1,425,875	-	1,425,875
NET POSITION			
Unrestricted	11,267,612	-	11,267,612
Total Net Position	\$ 11,267,612	\$ -	\$ 11,267,612

CITY OF MCKINNEY, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Governmental Activities – Internal Service Funds		
	Insurance Risk and Management	Fleet Maintenance	Total Internal Service Funds
OPERATING REVENUES			
Charges for services	\$ 25,186,176	\$ 1,148,540	\$ 26,334,716
Miscellaneous	552,678	-	552,678
Total Operating Revenues	25,738,854	1,148,540	26,887,394
OPERATING EXPENSES			
Personnel services	-	1,044,296	1,044,296
Materials, supplies and services	24,706,911	21,087	24,727,998
Maintenance	-	4,425	4,425
Utilities	-	38,669	38,669
Depreciation	-	28,480	28,480
Other	-	18,734	18,734
Total Operating Expenses	24,706,911	1,155,691	25,862,602
Operating Income (Loss)	1,031,943	(7,151)	1,024,792
NONOPERATING REVENUES (EXPENSES)			
Investment Income	335,270	2,331	337,601
Loss on sale of capital assets	(23,888)	-	(23,888)
Gain on disillusion of fund	-	360,427	360,427
Total Nonoperating Revenues (Expenses)	311,382	362,758	674,140
Income (loss) before transfers	1,343,325	355,607	1,698,932
Transfers out	-	(156,176)	(156,176)
Change in Net Position	1,343,325	199,431	1,542,756
Net Position, as Previously Reported	9,924,287	(199,431)	9,724,856
Net Position, End of Year	\$ 11,267,612	\$ -	\$ 11,267,612

**CITY OF MCKINNEY, TEXAS
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Governmental Activities – Internal Service Funds		
	Insurance Risk and Management	Fleet Maintenance	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from user charges	\$ 25,019,193	\$ 1,148,540	\$ 26,167,733
Other operating revenues	552,678	-	552,678
Cash payments for employee services	-	(986,127)	(986,127)
Cash payments for other operating expenses	(24,319,034)	(81,367)	(24,400,401)
Net Cash Provided by Operating Activities	1,252,837	81,046	1,333,883
NONCAPITAL FINANCING ACTIVITIES			
Transfers out	(23,888)	(156,176)	(180,064)
Net Cash Used in Non-capital Financing Activities	(23,888)	(156,176)	(180,064)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	335,270	2,331	337,601
Purchase of investments	4,972,960	-	4,972,960
Net Cash Provided by Investing Activities	5,308,230	2,331	5,310,561
Net Increase in Cash and Cash Equivalents	6,537,179	(72,799)	6,464,380
Cash and Cash Equivalents, Beginning of Year	5,613,095	72,799	5,685,894
Cash and Cash Equivalents, End of Year	\$ 12,150,274	\$ -	\$ 12,150,274
RECONCILIATION TO THE COMBINING STATEMENT OF NET POSITION			
Unrestricted cash and cash equivalents	\$ 12,080,274	\$ -	\$ 12,080,274
Restricted cash and cash equivalents	70,000	-	70,000
	\$ 12,150,274	\$ -	\$ 12,150,274
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 1,031,943	\$ (7,151)	\$ 1,024,792
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	-	28,480	28,480
Change in assets, liabilities and deferred resources:			
(Increase) decrease in assets and deferred outflows:			
Accounts receivable	(166,983)	-	(166,983)
Prepaid expenses	13,983	-	13,983
Inventory	-	9,743	9,743
Deferred pension outflows	-	(170,930)	(170,930)
Deferred OPEB outflows	-	(3,928)	(3,928)
Increase (decrease) in liabilities and deferred inflows:			
Accounts payable	373,894	(8,195)	365,699
Compensated absences	-	13,919	13,919
Net pension liability	-	181,706	181,706
Total OPEB liability	-	15,826	15,826
Deferred pension inflows	-	21,576	21,576
Total Adjustments	220,894	88,197	309,091
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,252,837	\$ 81,046	\$ 1,333,883

FIDUCIARY FUNDS



CITY OF MCKINNEY, TEXAS
STATEMENT OF CHANGES IN AGENCY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

BB Owen Park	Balance September 30, 2018	Additions	Deductions	Balance September 30, 2019
ASSETS				
Cash and cash equivalents	\$ 3,926,620	\$ 71,139	\$ (2,770,003)	\$ 1,227,756
Total Assets	<u>\$ 3,926,620</u>	<u>\$ 71,139</u>	<u>\$ (2,770,003)</u>	<u>\$ 1,227,756</u>
LIABILITIES				
Developer escrows	\$ 3,926,620	\$ 71,139	\$ (2,770,003)	\$ 1,227,756
Total Liabilities	<u>\$ 3,926,620</u>	<u>\$ 71,139</u>	<u>\$ (2,770,003)</u>	<u>\$ 1,227,756</u>



DISCRETELY PRESENTED COMPONENT UNITS

MCKINNEY ECONOMIC DEVELOPMENT CORPORATION – purpose is to aid, promote and further the economic development within the City.

MCKINNEY COMMUNITY DEVELOPMENT CORPORATION – purpose is to identify and fund public projects to maintain or enhance the quality of life in the City.

MCKINNEY CONVENTION & VISITORS BUREAU – purpose is to account for funds received from the City's local hotel/motel tax fund for the purpose of promoting tourism and making the City of McKinney a destination of choice.

MCKINNEY MAIN STREET – purpose is to maintain and enhance a vibrant downtown area through economic redevelopment, design, organization and promotion.



**CITY OF MCKINNEY, TEXAS
BALANCE SHEET
MCKINNEY ECONOMIC DEVELOPMENT CORPORATION
DISCRETELY PRESENTED COMPONENT UNITS
SEPTEMBER 30, 2019**

	McKinney Economic Development Corporation
ASSETS	
Cash and cash equivalents	\$ 8,939,397
Investments	4,003,960
Restricted cash and cash equivalents	1,790,687
Accounts receivable	2,571,145
Prepaid items	<u>5,528</u>
Total Assets	<u><u>\$ 17,310,717</u></u>
LIABILITIES	
Accounts payable	\$ 92,240
Other accrued liabilities	<u>38,974</u>
Total Liabilities	<u>131,214</u>
FUND BALANCES	
Nonspendable	5,528
Restricted	
Debt service	265,702
Debt service reserve balance	1,524,985
Unassigned	<u>15,383,288</u>
Total Fund Balance	<u>17,179,503</u>
Total Liabilities and Fund Balance	<u><u>\$ 17,310,717</u></u>

**CITY OF MCKINNEY, TEXAS
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
MCKINNEY ECONOMIC DEVELOPMENT CORPORATION
DISCRETELY PRESENTED COMPONENT UNITS
SEPTEMBER 30, 2019**

Total fund balance – MEDC balance sheet	\$ 17,179,503
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets are reported in the government-wide financial statements, net of accumulated depreciation.	66,936,240
Accrued liabilities for compensated absences are not reflected in the fund financial statements.	(80,279)
Deferred outflows of resources and deferred inflows of resources represent flows of resources which relate to future periods and, therefore, are not reported in the fund financial statements. Deferred outflows and deferred inflows of resources consist of:	
Deferred pension outflows (GASB 68)	290,582
Deferred OPEB outflows (GASB 75)	15,099
Deferred charge on refunding	61,874
Deferred pension inflows (GASB 68)	(14,112)
Net pension and total OPEB liabilities are not reported in the funds.	(909,304)
Bonds payable and notes payable are not reported in the funds.	(26,745,000)
Accrued interest is not reported in the funds.	<u>(75,391)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 56,659,212</u>

**CITY OF MCKINNEY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
MCKINNEY ECONOMIC DEVELOPMENT CORPORATION
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	McKinney Economic Development Corporation
REVENUES	
Sales and use taxes	\$ 14,251,055
Investment income	<u>416,242</u>
Total Revenues	<u>14,667,297</u>
EXPENDITURES	
Economic development	6,403,700
Principal payments	3,660,999
Interest and fiscal charges	1,102,495
Capital outlay	<u>32,856</u>
Total Expenditures	<u>11,200,050</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,467,247</u>
OTHER FINANCING SOURCES (Uses)	
Proceeds from sale of property	<u>2,058,169</u>
Total Other Financing Sources	<u>2,058,169</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	5,525,416
Fund Balance, Beginning of Year	<u>39,980,689</u>
Fund Balance, End of Year	<u><u>\$ 17,179,503</u></u>

**CITY OF MCKINNEY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
MCKINNEY ECONOMIC DEVELOPMENT CORPORATION
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Net change in fund balances – governmental funds	\$ 5,525,416
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds do not report depreciation since it does not require the use of current financial resources.	(2,503)
Current year capital outlays are expenditures in the fund financial statements, but are increases to capital assets in the government- wide financial statements.	32,856
Proceeds from sale of properties are reported gross in the fund financial statements, but are reported net of historic cost in the government-wide financial statements.	(137,218)
Bond principal and note payable payments are not reported in the Statement of Activities.	3,660,999
The amortization of losses on refunding of debt are not recorded in the governmental funds, but are amortized on the statement of activities as interest expense. This resulted in the following difference: Amortization of refunding loss	(22,038)
Interest is accrued on outstanding debt in the government-wide statements, whereas in the fund financial statements, an interest expenditure is reported when due.	18,159
Pension and OPEB expense are reported as the amount paid in the funds, but incorporates deferred outflows and deferred inflows in the government-wide financial statements.	(63,625)
Current year changes in the long-term liability for compensated absences do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental fund.	<u>4,283</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 9,016,329</u></u>

**CITY OF MCKINNEY, TEXAS
BALANCE SHEET
MCKINNEY COMMUNITY DEVELOPMENT CORPORATION
DISCRETELY PRESENTED COMPONENT UNITS
SEPTEMBER 30, 2019**

	McKinney Community Development Corporation
ASSETS	
Cash and cash equivalents	\$ 54,298,826
Investments	3,130,157
Accounts receivable	2,541,501
Accrued interest receivable	23,565
Prepaid items	<u>2,977</u>
Total Assets	<u><u>\$ 59,997,026</u></u>
LIABILITIES	
Accounts payable	\$ 9,582
Other accrued liabilities	<u>10,790</u>
Total Liabilities	<u>20,372</u>
FUND BALANCE	
Nonspendable	
Prepaid items	2,977
Unrestricted	<u>59,973,677</u>
Total Fund Balance	<u>59,976,654</u>
Total Liabilities and Fund Balance	<u><u>\$ 59,997,026</u></u>

**CITY OF MCKINNEY, TEXAS
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
MCKINNEY COMMUNITY DEVELOPMENT CORPORATION
DISCRETELY PRESENTED COMPONENT UNITS
SEPTEMBER 30, 2019**

Total fund balance – MCDC balance sheet	\$ 59,976,654
Amounts reported for governmental activities in the statement of net position are different because:	
Bonds payable are not reported in the funds.	(20,390,000)
Accrued interest is not reported in the funds.	(88,904)
Accrued liabilities for compensated absences are not reflected in the fund financial statements.	(40,405)
Deferred outflows of resources and deferred inflows of resources represent flows of resources which relate to future periods and, therefore, are not reported in the fund financial statements. Deferred outflows and deferred inflows of resources consist of:	
Deferred pension outflows (GASB 68)	46,804
Deferred OPEB outflows (GASB 75)	2,432
Deferred pension inflows (GASB 68)	(2,273)
Net pension and total OPEB liabilities are not reported in the funds.	(146,458)
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets are reported in the government-wide financial statements, net of accumulated depreciation.	<u>764,489</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 40,122,339</u></u>

**CITY OF MCKINNEY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
MCKINNEY COMMUNITY DEVELOPMENT CORPORATION
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	McKinney Community Development Corporation
REVENUES	
Sales and use taxes	\$ 14,251,055
Miscellaneous income	400
Investment income	<u>1,376,011</u>
Total Revenues	<u>15,627,466</u>
EXPENDITURES	
Community development	3,788,342
Debt Service:	
Principal retirement	990,000
Interest and fiscal charges	<u>731,192</u>
Total Expenditures	<u>5,509,534</u>
Excess of revenues over expenditures	10,117,932
OTHER FINANCING SOURCES (USES)	
Proceeds on sale of assets	<u>908,494</u>
Total other financing sources (uses)	<u>908,494</u>
Net Change in Fund Balance	11,026,426
Fund Balance, Beginning of Year	<u>48,950,228</u>
Fund Balance, End of Year	<u><u>\$ 59,976,654</u></u>

**CITY OF MCKINNEY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
MCKINNEY COMMUNITY DEVELOPMENT CORPORATION
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Net change in Fund Balances – total governmental funds	\$ 11,026,426
Amounts reported for governmental activities in the statement of activities are different because:	
Proceeds from sale of properties are reported gross in the fund financial statements, but are reported net of historic cost in the government-wide financial statements.	(5,928,608)
Current year long-term debt principal payments are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements.	990,000
Interest is accrued on outstanding debt in the government-wide statements, whereas in the fund financial statements, an interest expenditure is reported when due.	2,445
Current year changes in the long-term liability for compensated absences do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds.	(2,004)
Governmental funds do not report depreciation since it does not require the use of current financial resources.	(130,921)
Pension and OPEB expense are reported as the amount paid in the funds, but incorporates deferred outflows and deferred inflows in the government-wide financial statements.	<u>(10,635)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 5,946,703</u>

**CITY OF MCKINNEY, TEXAS
BALANCE SHEET
MCKINNEY CONVENTION AND VISITORS BUREAU
DISCRETELY PRESENTED COMPONENT UNITS
SEPTEMBER 30, 2019**

	McKinney Convention & Visitors Bureau
ASSETS	
Cash and cash equivalents	\$ 66,310
Prepaid items	<u>3,800</u>
Total Assets	<u><u>\$ 70,110</u></u>
LIABILITIES	
Accounts payable	\$ 9,995
Other accrued liabilities	<u>15,836</u>
Total Liabilities	<u>25,831</u>
FUND BALANCE	
Nonspendable	
Prepaid items	3,800
Unrestricted	<u>40,479</u>
Total Fund Balance	<u>44,279</u>
Total Liabilities and Fund Balance	<u><u>\$ 70,110</u></u>

**CITY OF MCKINNEY, TEXAS
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
MCKINNEY CONVENTION AND VISITORS BUREAU
DISCRETELY PRESENTED COMPONENT UNITS
SEPTEMBER 30, 2019**

Total fund balance – MCVB balance sheet	\$ 44,279
Amounts reported for governmental activities in the statement of net position are different because:	
Deferred outflows of resources and deferred inflows of resources represent flows of resources which relate to future periods and, therefore, are not reported in the fund financial statements. Deferred outflows and deferred inflows of resources consist of:	
Deferred pension outflows (GASB 68)	85,420
Deferred OPEB outflows (GASB 75)	4,438
Deferred pension inflows (GASB 68)	(4,148)
Net pension and total OPEB liabilities are not reported in the funds.	(267,301)
Accrued liabilities for compensated absences are not reflected in the fund financial statements.	<u>(64,544)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (201,856)</u>

**CITY OF MCKINNEY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
MCKINNEY CONVENTION AND VISITORS BUREAU
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	McKinney Convention & Visitors Bureau
REVENUES	
Contributions	\$ 712,000
Investment income	244
Miscellaneous	<u>4,261</u>
Total Revenues	<u>716,505</u>
EXPENDITURES	
Community development	<u>734,293</u>
Total Expenditures	<u>734,293</u>
Net Change in Fund Balance	(17,788)
Fund Balance, Beginning of Year	<u>62,067</u>
Fund Balance, End of Year	<u><u>\$ 44,279</u></u>

**CITY OF MCKINNEY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
MCKINNEY CONVENTION AND VISITORS BUREAU
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Net change in Fund Balances – governmental funds	\$ (17,788)
Amounts reported for governmental activities in the statement of activities are different because:	
Pension and OPEB expense is reported as the amount paid in the funds, but incorporates deferred outflows and deferred inflows in the government-wide financial statements.	(19,410)
Current year changes in the long-term liability for compensated absences do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds.	<u>(1,606)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (38,804)</u>

**CITY OF MCKINNEY, TEXAS
BALANCE SHEET
MCKINNEY MAIN STREET
DISCRETELY PRESENTED COMPONENT UNITS
SEPTEMBER 30, 2019**

	McKinney Main Street
ASSETS	
Cash and cash equivalents	\$ 928,844
Accounts receivable	1,390
Prepaid items	<u>17,189</u>
Total Assets	<u><u>\$ 947,423</u></u>
LIABILITIES	
Accounts payable	<u>\$ 686,725</u>
Total Liabilities	<u>686,725</u>
FUND BALANCE	
Nonspendable	
Prepaid items	17,189
Unrestricted	<u>243,509</u>
Total Fund Balance	<u>260,698</u>
Total Liabilities and Fund Balance	<u><u>\$ 947,423</u></u>

**CITY OF MCKINNEY, TEXAS
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
MCKINNEY MAIN STREET
DISCRETELY PRESENTED COMPONENT UNITS
SEPTEMBER 30, 2019**

Total fund balance – MMS balance sheet	\$	260,698
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Amounts reported for governmental activities in the statement of
net position are different because:

Capital assets used in governmental activities are not financial
resources and therefore are not reported as assets in governmental
funds. Capital assets are reported in the government-wide financial
statements, net of accumulated depreciation.

52,715

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$	313,413
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**CITY OF MCKINNEY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
MCKINNEY MAIN STREET
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	McKinney Main Street
REVENUES	
Contributions	\$ 80,214
Events	<u>1,604,729</u>
Total Revenues	<u>1,684,943</u>
EXPENDITURES	
Community development	1,686,511
Capital outlay	<u>16,320</u>
Total Expenditures	<u>1,702,831</u>
Net Change in Fund Balance	(17,888)
Fund Balance, Beginning of Year	<u>278,586</u>
Fund Balance, End of Year	<u><u>\$ 260,698</u></u>

**CITY OF MCKINNEY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
MCKINNEY MAIN STREET
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Net change in fund balances – governmental funds	\$ (17,888)
Amounts reported for governmental activities in the statement of activities are different because:	
Current year capital outlays are expenditures in the fund financial statements, but are increases to capital assets in the government- wide financial statements.	16,320
Governmental funds do not report depreciation since it does not require the use of current financial resources.	<u>(11,337)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (12,905)</u></u>

STATISTICAL SECTION



This part of the City of McKinney's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures, and required supplementary information says about the City's overall financial health. This information has not been audited by the independent auditor.

<u>Contents</u>	<u>Table #s</u>
Financial Trends These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	1-4
Revenue Capacity These tables contain information to help the reader assess the City's two most significant local revenue sources, the property and sales taxes.	5-8
Debt Capacity These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	9-13
Economic and Demographic Information These tables offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.	14-15
Operating Information These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides.	16-18

Source: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.

**CITY OF MCKINNEY, TEXAS
NET POSITION BY COMPONENT
ACCRUAL BASIS OF ACCOUNTING
LAST TEN FISCAL YEARS (UNAUDITED)**

	Fiscal Year			
	2010	2011	2012	2013
GOVERNMENTAL ACTIVITIES				
Net investment in capital assets	\$ 290,201,450	\$ 284,785,050	\$ 274,393,395	\$ 279,952,868
Restricted for:				
Use of impact fees	2,027,269	4,061,242	4,549,816	6,700,810
Highways and streets	33,628,327	31,376,277	26,796,515	26,406,329
Debt service	588,843	219,454	888,855	1,285,455
Other capital project	-	-	-	46,153,392
Public safety	-	-	573,763	803,777
Community development	-	-	309,242	513,456
Court	-	-	-	-
Library	-	-	168,894	242,609
PEG	-	-	-	-
Cultural and recreation	-	-	6,371	16,109
Grants and donations	22,136	65,005	452,431	425,968
Unrestricted	61,481,942	64,368,362	78,769,485	41,729,688
Total Governmental Activities Net Position	\$ 387,949,967	\$ 384,875,390	\$ 386,908,767	\$ 404,230,461
BUSINESS-TYPE ACTIVITIES				
Net investment in capital assets	\$ 206,148,786	\$ 208,847,556	\$ 218,424,139	\$ 233,112,767
Restricted for:				
Use of impact fees	2,537,464	2,704,125	5,025,467	8,806,302
Debt service	4,625,915	4,980,679	5,324,601	5,528,516
Unrestricted	63,541,978	74,128,202	78,188,714	77,348,628
Total Business-type Activities Net Position	\$ 276,854,143	\$ 290,660,562	\$ 306,962,921	\$ 324,796,213
PRIMARY GOVERNMENT				
Net investment in capital assets	\$ 496,350,236	\$ 493,632,606	\$ 492,817,534	\$ 513,065,635
Restricted for:				
Use of impact fees	4,564,733	6,765,367	9,575,283	15,507,112
Highways and streets	33,628,327	31,376,277	26,796,515	26,406,329
Debt service	5,214,758	5,200,133	6,213,456	6,813,971
Other capital project	-	-	-	46,153,392
Public safety	-	-	573,763	803,777
Community development	-	-	309,242	513,456
Court	-	-	-	-
Library	-	-	168,894	242,609
PEG	-	-	-	-
Cultural and recreation	-	-	6,371	16,109
Grants	22,136	65,005	452,431	425,968
Unrestricted	125,023,920	138,496,564	156,958,199	119,078,316
Total Primary Governmental Net Position	\$ 664,804,110	\$ 675,535,952	\$ 693,871,688	\$ 729,026,674

Source: Comprehensive Annual Financial Report

Note: Beginning in 2011, net position reflects the omission of MCVB, which is now reported as a discretely presented component unit.
In addition, beginning in 2012 GASB Statement 54 was adopted which amended net position classifications.

TABLE 1

Fiscal Year						
2014	2015	2016	2017	2018	2019	
\$ 252,289,367	\$ 268,918,693	\$ 320,331,134	\$ 403,719,522	\$ 440,381,046	\$ 461,843,548	
5,692,253	-	-	-	-	-	
24,938,952	28,691,743	32,306,475	32,618,355	39,325,471	18,494,348	
1,400,079	4,107,035	3,894,517	4,605,297	5,550,814	5,964,590	
50,015,128	65,017,451	44,403,282	53,624,967	76,097,635	62,137,151	
896,023	601,868	614,384	576,119	520,453	439,588	
779,686	1,312,903	4,110,258	4,553,868	5,082,730	15,361,571	
-	-	350,172	383,860	412,412	530,241	
248,630	224,501	203,093	131,231	84,924	-	
-	-	-	-	-	1,864,718	
15,412	13,751	14,067	10,423	2,628	-	
434,681	269,985	257,398	180,313	178,151	415,799	
56,117,047	34,468,809	44,277,694	69,040,330	16,826,562	37,373,891	
<u>\$ 392,827,258</u>	<u>\$ 403,626,739</u>	<u>\$ 450,762,474</u>	<u>\$ 569,444,285</u>	<u>\$ 584,462,826</u>	<u>\$ 604,425,445</u>	
\$ 330,408,725	\$ 340,775,669	\$ 370,316,179	\$ 391,997,298	\$ 448,604,533	\$ 455,241,220	
7,564,939	8,995,690	8,407,115	9,415,280	10,286,227	5,913,858	
5,601,263	4,248,344	4,338,428	6,420,315	7,015,666	7,974,994	
89,167,306	88,825,761	89,348,086	100,155,117	107,923,617	125,098,478	
<u>\$ 432,742,233</u>	<u>\$ 442,845,464</u>	<u>\$ 472,409,808</u>	<u>\$ 507,988,010</u>	<u>\$ 573,830,043</u>	<u>\$ 594,228,550</u>	
\$ 582,698,092	\$ 609,694,362	\$ 690,647,313	\$ 795,716,820	\$ 888,985,579	\$ 917,084,768	
13,257,192	8,995,690	8,407,115	9,415,280	10,286,227	5,913,858	
24,938,952	28,691,743	32,306,475	32,618,355	39,325,471	18,494,348	
7,001,342	8,355,379	8,232,945	11,025,612	12,566,480	13,939,584	
50,015,128	65,017,451	44,403,282	53,624,967	76,097,635	62,137,151	
896,023	601,868	614,384	576,119	520,453	439,588	
779,686	1,312,903	4,110,258	4,553,868	5,082,730	15,361,571	
-	-	350,172	383,860	412,412	530,241	
248,630	224,501	203,093	131,231	84,924	-	
-	-	-	-	-	1,864,718	
15,412	13,751	14,067	10,423	2,628	-	
434,681	269,985	257,398	180,313	178,151	415,799	
145,284,353	123,294,570	133,625,780	169,195,447	124,750,179	162,472,369	
<u>\$ 825,569,491</u>	<u>\$ 846,472,203</u>	<u>\$ 923,172,282</u>	<u>\$ 1,077,432,295</u>	<u>\$ 1,158,292,869</u>	<u>\$ 1,198,653,995</u>	

**CITY OF MCKINNEY, TEXAS
CHANGES IN NET POSITION
ACCRUAL BASIS OF ACCOUNTING
LAST TEN FISCAL YEARS (UNAUDITED)**

	Fiscal Year			
	2010	2011	2012	2013
Expenses				
Governmental activities:				
General government	\$ 29,245,688	\$ 23,110,420	\$ 21,828,013	\$ 20,555,978
Police	21,276,723	20,670,697	21,843,375	23,340,362
Fire	19,828,670	19,772,826	19,636,533	21,432,874
Libraries	3,179,616	3,039,839	3,258,633	3,276,383
Development	9,491,109	8,777,957	8,522,548	9,107,096
Parks and recreation	9,215,196	9,864,370	9,695,909	10,370,483
Public works	33,614,032	32,416,388	33,199,659	35,111,875
Interest on long-term debt	10,241,441	10,161,568	9,514,103	8,912,771
Airport	2,655,115	565,000	565,000	613,513
Total Governmental Activities Expenses	138,747,590	128,379,065	128,063,773	132,721,335
Business-type activities:				
Water/Wastewater	44,083,602	46,104,008	47,777,509	52,003,461
Solid Waste	6,213,755	6,066,387	6,572,110	6,486,035
Golf Course	258,801	224,175	220,140	351,556
Surface Water Drainage	1,583,183	1,633,798	1,551,577	1,660,597
Airport	-	-	-	-
Total Business-type Activities Expenses	52,139,341	54,028,368	56,121,336	60,501,649
Total Primary Government Expenses	\$ 190,886,931	\$ 182,407,433	\$ 184,185,109	\$ 193,222,984
Program Revenues				
Governmental activities:				
Charges for Services:				
General government	\$ 2,976,341	\$ 2,999,584	\$ 2,896,926	\$ 1,492,078
Police	2,529,019	2,676,107	3,449,850	2,797,246
Fire	794,661	1,919,405	1,620,136	2,187,476
Libraries	86,927	95,033	106,890	109,709
Development	4,058,203	3,958,584	6,299,051	7,296,819
Parks and recreation	1,037,454	1,071,536	1,012,260	1,054,194
Public Works	-	-	-	-
Interest on long-term debt	528,000	528,000	528,000	528,000
Airport	-	-	4,767	8,325
Operating grants and contributions	2,471,193	2,772,410	2,343,700	2,459,385
Capital grants and contributions	20,349,634	12,986,318	20,325,797	27,495,901
Total Governmental Activities Program Revenues	34,831,432	29,006,977	38,587,377	45,429,133
Business-type activities:				
Charges for Services:				
Water/Wastewater	48,117,477	57,185,108	54,717,547	56,832,659
Solid Waste	6,000,135	6,836,486	6,763,746	6,874,406
Golf Course	82,026	110,257	115,177	116,227
Surface Water Drainage	1,751,066	1,795,342	1,880,951	1,898,269
Airport	-	-	-	-
Operating grants and contributions	-	-	-	-
Capital grants and contributions	7,106,651	3,483,388	10,797,849	14,745,211
Total Business-type Activities Program Revenues	63,057,355	69,410,581	74,275,270	80,466,772
Total Primary Government Program Revenues	\$ 97,888,787	\$ 98,417,558	\$ 112,862,647	\$ 125,895,905

TABLE 2

Fiscal Year					
2014	2015	2016	2017	2018	2019
\$ 33,368,297	\$ 27,058,274	\$ 29,952,269	\$ 34,346,612	\$ 35,050,241	\$ 38,767,205
26,024,709	25,624,335	29,047,393	31,471,552	34,855,099	38,968,663
22,806,691	23,727,013	25,631,075	27,403,683	31,326,519	34,465,660
3,320,179	3,693,705	3,774,409	3,819,963	3,968,132	4,100,658
10,057,171	13,418,166	10,222,464	10,745,301	11,992,802	12,283,958
10,415,311	9,377,277	12,526,997	16,517,121	20,227,336	20,027,790
37,604,682	39,812,246	40,143,368	44,061,044	47,181,195	50,529,534
8,482,455	8,019,483	9,020,305	8,457,638	7,617,338	8,593,942
-	-	-	-	-	-
152,079,495	150,730,499	160,318,280	176,822,914	192,218,662	207,737,410
55,007,446	60,487,007	69,073,537	74,364,452	86,521,086	91,546,894
6,280,217	6,860,903	6,861,627	7,386,715	7,640,500	7,705,838
194,403	198,663	182,383	192,350	209,085	79,314
1,934,435	1,911,038	2,098,662	2,771,455	2,531,085	3,054,064
8,601,099	8,859,527	9,340,030	9,797,154	11,332,572	12,083,532
72,017,600	78,317,138	87,556,239	94,512,126	108,234,328	114,469,642
\$ 224,097,095	\$ 229,047,637	\$ 247,874,519	\$ 271,335,040	\$ 300,452,990	\$ 322,207,052
\$ 1,467,171	\$ 3,842,116	\$ 4,327,862	\$ 1,734,117	\$ 8,566,014	\$ 5,507,427
2,552,326	1,757,760	2,033,877	2,894,518	137,611	116,205
2,394,449	2,631,057	3,346,928	3,628,262	3,256,577	5,521,682
112,271	108,738	92,746	81,835	52,211	53,199
7,264,193	9,825,165	10,637,402	13,523,148	10,753,714	9,752,813
965,429	1,031,799	1,048,658	3,893,394	5,465,766	5,963,869
-	-	-	218,620	-	-
528,000	-	-	-	-	-
2,199	-	-	-	-	-
2,446,548	2,051,029	2,011,757	3,302,214	2,761,779	3,449,974
28,827,649	38,427,242	48,227,810	104,025,218	50,240,637	36,010,288
46,560,235	59,674,906	71,727,040	133,301,326	81,234,309	66,375,457
54,882,881	58,854,349	70,527,096	78,432,191	91,188,605	92,032,171
7,372,250	7,598,827	8,121,069	8,443,042	8,864,585	8,672,740
105,854	88,890	34,123	34,516	31,086	29,642
1,998,850	2,701,864	3,517,545	3,587,187	3,756,789	3,907,784
4,587,659	5,801,175	6,411,460	7,149,114	8,315,001	9,639,761
94,582	67,332	54,753	49,752	32,291	50,000
96,783,997	18,125,746	30,335,555	30,423,073	38,937,521	18,828,599
165,826,073	93,238,183	119,001,601	128,118,875	151,125,878	133,160,697
\$ 212,386,308	\$ 152,913,089	\$ 190,728,641	\$ 261,420,201	\$ 232,360,187	\$ 199,536,154

(continued)

CITY OF MCKINNEY, TEXAS
CHANGES IN NET POSITION – CONTINUED
ACCRUAL BASIS OF ACCOUNTING
LAST TEN FISCAL YEARS (UNAUDITED)

	Fiscal Year			
	2010	2011	2012	2013
NET (EXPENSES) REVENUE				
Governmental activities	\$ (103,916,158)	\$ (99,372,088)	\$ (89,476,396)	\$ (87,292,202)
Business-type activities	10,918,014	15,382,213	18,153,934	19,965,123
Total Primary Government Net Expenses	<u>\$ (92,998,144)</u>	<u>\$ (83,989,875)</u>	<u>\$ (71,322,462)</u>	<u>\$ (67,327,079)</u>
GENERAL REVENUES				
AND OTHER CHANGES IN NET POSITION				
Governmental activities:				
Taxes:				
Property taxes	\$ 63,172,075	\$ 62,862,038	\$ 64,193,735	\$ 65,707,908
Sales and use taxes	16,868,201	17,265,587	18,392,901	20,364,397
Franchise taxes	10,794,251	12,050,388	12,051,980	12,759,298
Other taxes and fees	-	-	-	-
Investment income	2,378,612	1,664,055	846,135	334,465
Miscellaneous	175,614	257,395	618,827	2,593,617
Special item	-	-	-	-
Transfers	2,643,302	2,643,302	2,798,302	2,854,211
Prior period adjustment	-	-	-	-
Total Governmental Activities	<u>96,032,055</u>	<u>96,742,765</u>	<u>98,901,880</u>	<u>104,613,896</u>
BUSINESS-TYPE ACTIVITIES				
Investment income	1,031,169	1,020,661	924,457	662,230
Gain on sale of capital assets	(37,436)	46,847	22,270	60,150
Contributions	-	-	-	-
Miscellaneous	-	-	-	-
Transfers	(2,643,302)	(2,643,302)	(2,798,302)	(2,854,211)
Prior period adjustment	-	-	-	-
Total Business-type Activities	<u>(1,649,569)</u>	<u>(1,575,794)</u>	<u>(1,851,575)</u>	<u>(2,131,831)</u>
Total Primary Government	<u>\$ 94,382,486</u>	<u>\$ 95,166,971</u>	<u>\$ 97,050,305</u>	<u>\$ 102,482,065</u>
CHANGE IN NET POSITION				
Governmental activities	\$ (7,884,103)	\$ (2,629,323)	\$ 9,425,484	\$ 17,321,694
Business-type activities	9,268,445	13,806,419	16,302,359	17,833,292
Total Primary Government	<u>\$ 1,384,342</u>	<u>\$ 11,177,096</u>	<u>\$ 25,727,843</u>	<u>\$ 35,154,986</u>

Source: Comprehensive Annual Financial Report

Note: Beginning in 2011, net position reflects the omission of MCVB, which is now reported as a discretely presented component unit of the City.

TABLE 2

Fiscal Year					
2014	2015	2016	2017	2018	2019
\$ (105,519,260)	\$ (91,055,593)	\$ (88,591,240)	\$ (43,521,588)	\$ (110,984,353)	\$ (141,361,953)
93,808,473	14,921,045	31,445,362	33,606,749	42,891,550	18,691,055
<u>\$ (11,710,787)</u>	<u>\$ (76,134,548)</u>	<u>\$ (57,145,878)</u>	<u>\$ (9,914,839)</u>	<u>\$ (68,092,803)</u>	<u>\$ (122,670,898)</u>
\$ 70,586,659	\$ 79,819,213	\$ 90,581,621	\$ 101,593,480	\$ 107,281,843	\$ 116,385,145
21,298,884	23,041,949	25,360,264	27,117,534	29,078,546	30,724,015
13,630,462	13,858,355	14,162,263	14,790,276	16,253,134	16,056,901
-	434,494	417,981	2,651,192	338,030	340,802
298,151	370,660	1,153,094	2,314,659	3,994,843	8,232,558
4,282,531	2,833,951	715,114	11,936,004	820,319	692,096
-	-	-	-	-	(15,533,759)
(15,104,793)	2,965,135	3,336,638	1,596,987	(20,387,661)	4,426,814
-	(21,468,683)	-	-	(11,376,160)	-
<u>94,991,894</u>	<u>101,855,074</u>	<u>135,726,975</u>	<u>162,000,132</u>	<u>126,002,894</u>	<u>161,324,572</u>
565,121	663,128	1,216,134	1,828,821	3,891,835	5,909,199
(851,572)	(92,106)	-	-	-	-
-	-	-	-	-	-
-	-	239,486	1,739,619	314,024	225,067
15,104,793	(2,965,135)	(3,336,638)	(1,596,987)	20,387,661	(4,426,814)
-	(2,552,917)	-	-	(1,643,037)	-
<u>14,818,342</u>	<u>(4,947,030)</u>	<u>(1,881,018)</u>	<u>1,971,453</u>	<u>22,950,483</u>	<u>1,707,452</u>
<u>\$ 109,810,236</u>	<u>\$ 96,908,044</u>	<u>\$ 133,845,957</u>	<u>\$ 163,971,585</u>	<u>\$ 148,953,377</u>	<u>\$ 163,032,024</u>
\$ (10,527,366)	\$ 10,799,481	\$ 47,135,735	\$ 118,478,544	\$ 26,394,701	\$ 19,962,619
108,626,815	9,974,015	29,564,344	35,578,202	67,485,070	20,398,507
<u>\$ 98,099,449</u>	<u>\$ 20,773,496</u>	<u>\$ 76,700,079</u>	<u>\$ 154,056,746</u>	<u>\$ 93,879,771</u>	<u>\$ 40,361,126</u>
(concluded)					

CITY OF MCKINNEY, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
LAST TEN FISCAL YEARS (UNAUDITED)

	Fiscal Year			
	2010	2011	2012	2013
GENERAL FUND				
Nonspendable:				
Inventory	\$ -	\$ -	\$ 193,885	\$ 210,392
Prepaid items	-	-	304,556	295,637
Land held for sale	-	-	315,194	-
Note receivable from component unit	-	-	1,647,500	287,500
Restricted:				
Law enforcement	-	-	-	-
Court	-	-	-	-
Assigned:				
APEX	-	-	-	-
Capital equip replacement	-	-	-	-
Disaster relief	-	-	-	-
OPEB	-	-	1,692,681	1,855,500
Public & performing arts	-	-	-	-
Unassigned	-	-	46,207,763	48,144,225
Reserved for:				
Inventory and prepaid items	941,699	-	-	-
Advance to other funds	-	-	-	-
Note receivable from component unit	4,102,500	2,917,500	-	-
Designated:				
Insurance risk	1,600,559	1,600,559	-	-
Unreserved	33,023,643	37,448,127	-	-
Total General Fund	\$ 39,668,401	\$ 41,966,186	\$ 50,361,579	\$ 50,793,254
ALL OTHER GOVERNMENTAL FUNDS				
Nonspendable:				
Prepaid items	\$ -	\$ 423,897	\$ 18,976	\$ 16,174
Restricted:				
Debt service	-	1,261,454	1,719,641	2,240,054
Street construction	-	31,356,277	31,346,331	33,107,139
Capital projects	-	36,523,123	36,259,889	46,153,392
Law enforcement	-	164,887	549,780	768,113
Fire	-	26,858	23,983	35,664
PEG	-	-	-	-
Library	-	384,855	168,894	242,609
Community Housing	-	65,005	56,485	90,025
Veterans Memorial Park	-	-	6,371	16,109
Hotel/Motel	-	-	309,242	513,456
Transit	-	-	-	-
Grants	-	150,292	395,946	335,943
Assigned:				
Capital equip replacement	-	-	-	-
Reserved for:				
Prepaid items	570,994	-	-	-
Debt service	1,891,142	-	-	-
Street construction	33,628,327	-	-	-
Capital projects funds	45,431,706	-	-	-
Unreserved, reported in:				
Special revenue funds	1,975,456	-	-	-
Total all Other Governmental Funds	\$ 83,497,625	\$ 70,356,648	\$ 70,855,538	\$ 83,518,678

TABLE 3

Fiscal Year					
2014	2015	2016	2017	2018	2019
\$ 241,881	\$ 331,605	\$ 46,072	\$ 53,892	\$ 44,571	\$ 199,357
532,207	852,860	1,253,144	3,279,895	7,674,570	4,513,569
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	10,972	-	24,393
-	-	350,172	383,860	412,412	530,241
-	-	-	-	-	1,095,519
-	-	-	10,155,890	9,926,152	10,018,610
-	-	-	516,552	516,552	516,552
2,026,617	2,485,326	2,811,040	3,317,131	4,374,343	5,511,473
-	-	-	408,640	460,935	464,845
39,038,915	45,819,513	61,145,601	62,349,115	53,483,079	60,705,461
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 41,839,620</u>	<u>\$ 49,489,304</u>	<u>\$ 65,606,029</u>	<u>\$ 80,475,947</u>	<u>\$ 76,892,614</u>	<u>\$ 83,580,020</u>
\$ 19,817	\$ 48,664	\$ 92,305	\$ 91,159	\$ 96,403	\$ 3,843
2,917,011	2,917,011	3,894,517	4,605,297	5,550,814	5,964,590
30,631,205	64,887,370	65,976,278	66,288,158	96,232,002	120,407,707
50,015,128	65,017,451	89,308,763	85,952,066	73,143,080	86,739,600
855,456	558,905	564,486	522,618	488,596	503,467
40,567	42,963	49,898	42,529	31,857	41,659
-	1,493,395	1,825,885	1,334,050	1,504,203	1,864,718
248,630	224,501	203,093	131,231	84,924	75,015
85,617	73,787	73,536	227,770	224,977	204,597
15,412	13,751	14,067	10,423	2,628	109
779,686	1,312,903	2,210,837	2,919,895	3,805,453	4,610,787
-	-	-	72,153	74,813	183,121
349,064	269,985	257,398	180,313	178,151	27,623
-	-	-	6,642,090	7,439,148	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	918,558	-	-	-	-
<u>\$ 85,957,593</u>	<u>\$ 137,779,244</u>	<u>\$ 164,471,063</u>	<u>\$ 169,019,752</u>	<u>\$ 188,857,049</u>	<u>\$ 220,626,836</u>

CITY OF MCKINNEY, TEXAS
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
MODIFIED ACCRUAL BASIS OF ACCOUNTING
LAST TEN FISCAL YEARS (UNAUDITED)

	Fiscal Year			
	2010	2011	2012	2013
REVENUES				
Property taxes	\$ 62,960,439	\$ 62,717,460	\$ 64,194,518	\$ 66,252,931
Sales and use taxes	16,926,949	17,265,587	18,342,838	20,335,968
Franchise fees	10,731,125	11,941,486	12,113,230	12,725,594
Other taxes and fees	-	-	-	-
Licenses and permits	4,809,193	4,692,292	7,204,700	8,154,941
Intergovernmental	4,400,346	5,861,390	5,656,795	5,832,483
Charges for services	5,846,806	6,040,354	5,892,485	4,957,547
Fines and forfeitures	1,990,092	2,183,023	2,507,707	2,499,512
Investment income	2,387,670	1,284,718	846,135	330,063
Contributions	6,000,759	5,224,780	7,438,881	10,030,426
Miscellaneous	255,221	265,146	661,477	282,923
Total Revenues	116,308,600	117,476,236	124,858,766	131,402,388
EXPENDITURES				
General government	22,098,360	20,785,693	19,020,719	19,336,330
Police	20,145,964	19,655,184	20,285,700	22,036,551
Fire	17,959,131	17,930,235	17,302,735	19,409,153
Libraries	2,909,708	2,781,727	2,775,484	2,826,451
Development	9,159,668	8,512,495	8,119,293	8,750,307
Parks and recreation	7,145,909	7,275,824	6,954,994	7,504,161
Public works	13,286,420	10,610,792	10,882,395	11,097,574
Airport	2,655,115	565,000	565,000	613,513
Capital outlay	29,483,890	22,264,775	13,503,040	16,299,213
Debt service:				
Principal retirement	10,848,562	9,980,000	10,390,000	10,755,000
Interest and fiscal charges	9,679,110	10,254,116	9,466,819	8,823,139
Total Expenditures	145,371,837	130,615,841	119,266,179	127,451,392
Excess (deficiency) of revenues over (under) expenditures	(29,063,237)	(13,139,605)	5,592,587	3,950,996
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt	25,295,000	-	14,670,000	24,925,000
Issuance of capital lease	-	-	-	-
Deposit to escrow account	-	-	(16,685,444)	(21,716,799)
Premium on issuance of debt	-	-	2,127,248	3,019,430
Proceeds from sale of property	111,934	105,911	205,236	61,977
Transfers in	3,548,163	3,385,024	4,505,981	9,866,340
Transfers out	(904,861)	(741,722)	(1,707,679)	(7,012,129)
Total Other Financing Sources (Uses)	28,050,236	2,749,213	3,115,342	9,143,819
NET CHANGE IN FUND BALANCES	\$ (1,013,001)	\$ (10,390,392)	\$ 8,707,929	\$ 13,094,815
Debt Service as a Percentage of Noncapital Expenditures	17.7%	18.7%	18.8%	17.6%

Source: Comprehensive Annual Financial Report

TABLE 4

Fiscal Year					
2014	2015	2016	2017	2018	2019
\$ 70,362,574	\$ 79,955,673	\$ 90,670,647	\$ 100,499,796	\$ 107,623,520	\$ 116,119,443
21,278,009	23,041,949	25,360,264	27,117,534	29,078,546	30,724,015
13,696,854	13,767,129	14,162,263	14,790,276	16,167,036	16,071,697
-	434,494	417,981	353,059	338,030	340,802
8,168,583	10,537,838	11,484,965	14,883,837	11,495,904	10,621,061
5,405,262	5,434,807	4,249,380	8,742,283	5,060,919	8,023,758
5,074,643	6,721,752	7,941,488	9,791,668	11,218,065	14,010,421
2,191,902	2,029,116	2,061,020	2,134,066	2,105,678	1,977,485
291,194	370,660	1,153,094	2,314,659	3,994,843	8,232,558
12,053,759	14,229,992	13,117,358	14,274,613	16,539,875	14,441,202
367,552	533,192	715,114	11,936,005	820,319	692,096
138,890,332	157,056,602	171,333,574	206,837,796	204,442,735	221,254,538
30,876,833	22,228,405	23,766,504	28,600,730	29,039,706	33,980,586
24,603,118	25,545,773	27,074,194	29,519,229	33,382,794	35,807,519
21,004,629	22,848,846	23,588,822	24,934,620	27,961,499	30,805,408
2,868,747	3,279,002	3,379,840	3,382,296	3,533,097	3,624,482
9,617,376	10,291,439	10,074,158	10,397,360	11,670,785	11,789,924
7,804,340	8,072,018	8,977,206	12,822,926	15,349,806	14,308,835
12,150,458	13,857,657	13,007,662	14,329,110	15,961,755	19,608,279
-	-	-	-	-	-
34,224,581	24,259,961	20,225,428	38,130,013	36,517,520	54,653,933
10,810,000	13,485,000	16,452,929	18,309,211	22,096,915	26,000,736
9,304,662	9,434,720	10,836,635	11,210,643	10,523,333	11,431,733
163,264,744	153,302,821	157,383,378	191,636,138	206,037,210	242,011,435
(24,374,412)	3,753,781	13,950,196	15,201,658	(1,594,475)	(20,756,897)
56,370,000	45,715,000	57,530,000	21,965,000	30,875,000	59,055,000
-	-	-	-	-	4,600,000
(27,119,524)	-	(44,520,122)	(24,461,495)	-	(17,041,496)
3,687,285	7,009,684	8,868,878	2,695,707	2,101,985	7,684,725
25,972	28,488	3,436,712	1,648,564	253,724	332,871
(9,732,556)	5,027,413	8,778,072	14,421,247	6,775,730	12,770,820
(5,372,237)	(2,062,278)	(5,235,192)	(12,255,341)	(22,158,000)	(8,187,830)
17,858,940	55,718,307	28,858,348	4,013,682	17,848,439	59,214,090
\$ (6,515,472)	\$ 59,472,088	\$ 42,808,544	\$ 19,215,340	\$ 16,253,964	\$ 38,457,193
15.6%	17.8%	19.9%	19.2%	19.2%	20.0%

**CITY OF MCKINNEY, TEXAS
 ASSESSED VALUE OF TAXABLE PROPERTY
 PER \$100 OF ASSESSED VALUE
 LAST TEN FISCAL YEARS (UNAUDITED)**

TABLE 5

Fiscal Year	Residential Property	Commercial Property	Lots, Land and Farms Property	Less: Tax-Exempt Property	Total Taxable Assessed Value ^a	Total Direct Tax Rate
2010	7,626,499,353	2,929,634,966	1,335,349,886	1,176,779,441	10,714,704,764	0.58550
2011	7,727,106,308	2,890,958,467	1,236,326,385	1,174,802,675	10,679,588,485	0.58550
2012	7,987,599,999	2,824,853,811	1,172,661,685	1,138,232,846	10,846,882,649	0.58550
2013	8,191,878,816	2,813,905,174	1,167,916,179	1,145,549,714	11,028,150,455	0.58550
2014	8,912,765,220	2,923,157,524	1,197,788,548	2,104,215,838	10,929,495,454	0.58550
2015	10,330,477,753	3,120,649,093	1,331,499,993	1,308,701,373	13,473,925,466	0.58300
2016	12,029,014,758	3,398,536,705	1,406,368,521	1,506,353,094	15,327,566,890	0.58300
2017	13,788,110,133	3,684,032,886	1,544,443,201	1,714,554,267	17,302,031,953	0.57300
2018	15,746,203,971	4,019,370,476	1,745,114,030	2,156,646,234	19,354,042,243	0.54020
2019	17,585,844,495	4,485,613,005	1,741,806,959	2,237,471,428	21,575,793,031	0.52517

Source: City of McKinney Budget Document
 Collin Central Appraisal District

Note: Property in Collin County is reassessed once every five years on average.
 The County assesses property at 100% of its market value. Tax rates are per \$100 of assessed value.

^a Includes adjustments to certified rolls
 Fiscal Year reports Certified Tax Report from prior calendar year

**CITY OF MCKINNEY, TEXAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES
PER \$100 OF ASSESSED VALUE
LAST TEN FISCAL YEARS (UNAUDITED)**

TABLE 6

Fiscal Year	City Direct Rates			Overlapping Rates							
	Operating/ General Rate	Obligation Debt Service	Total Direct	McKinney ISD	Allen ISD	Frisco ISD	Melissa ISD	Prosper ISD	Lovejoy ISD	Collin County	Collin College District
2010	0.40650	0.17900	0.58550	1.54000	1.54000	1.39000	1.54000	1.64000	1.53500	0.24250	0.08630
2011	0.40650	0.17900	0.58550	1.52800	1.54000	1.39000	1.54000	1.63000	1.53500	0.24000	0.08630
2012	0.41220	0.17330	0.58550	1.54000	1.67000	1.42000	1.54000	1.67000	1.53500	0.24000	0.08630
2013	0.42179	0.16371	0.58550	1.54000	1.67000	1.46000	1.54000	1.67000	1.53500	0.24000	0.08630
2014	0.41220	0.17330	0.58550	1.67000	1.67000	1.46000	1.54000	1.67000	1.53500	0.23750	0.08364
2015	0.41544	0.16756	0.58300	1.67000	1.64000	1.46000	1.54000	1.67000	1.56000	0.23500	0.08196
2016	0.40997	0.17303	0.58300	1.67000	1.61000	1.46000	1.67000	1.67000	1.56000	0.22500	0.08196
2017	0.40177	0.17123	0.57300	1.62000	1.59000	1.46000	1.67000	1.67000	1.67000	0.20840	0.08122
2018	0.37561	0.16459	0.54020	1.62000	1.57000	1.46000	1.67000	1.67000	1.67000	0.19225	0.07981
2019	0.36239	0.16278	0.52517	1.59000	1.55000	1.44000	1.67000	1.67000	1.67000	0.18079	0.08122

Source: Collin Central Appraisal District
ISD: Independent School District

**CITY OF MCKINNEY, TEXAS
PRINCIPAL TAX PAYERS
CURRENT YEAR AND TEN YEARS AGO (UNAUDITED)**

TABLE 7

Taxpayer	2019			2010		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value ^a	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value ^b
Encore Wire Limited	\$ 159,414,828	1	0.74%	\$ 58,141,140	1	0.54%
Craig Ranch PT MFA I LP (Parkside At Craig Ranch)	140,070,376	2	0.65%			-
Raytheon TI Systems	111,071,211	3	0.51%	74,913,311	2	0.70%
WRIA 14-7 LLC	67,036,316	4	0.31%			-
Oncor Electric Delivery Co.	65,328,943	5	0.30%	49,872,298	4	0.47%
West Eldorado TX Partners LLC (Saxon Woods)	62,095,000	6	0.29%	33,200,000	10	0.31%
Fairways Wilson Creek Apartments LLC	59,928,438	7	0.28%			-
Areg Grassmere TX Partners LLC (Retreat at Stonebridge)	56,350,000	8	0.26%			-
Orion McKinney LLC	54,360,000	9	0.25%			-
Rowlett Apartments LLC	49,881,884	10	0.23%			-
Columbia Medical Center of McKinney	-		-	50,564,525	3	0.47%
Mid-America Apartments LP	-		-	43,500,000	5	0.41%
Blockbuster Video Inc	-		-	38,339,381	6	0.36%
Covington Cameron Acquisition LLC	-		-	36,800,000	7	0.34%
McKinney Towne Crossing LP	-		-	35,901,000	8	0.34%
Lowe's Home Centers, Inc.	-		-	35,524,495	9	0.33%
Total	<u>\$ 825,536,996</u>		<u>3.82%</u>	<u>\$ 456,756,150</u>		<u>4.27%</u>

Source: Collin County Tax Assessor and Collector

Notes: ^a Taxpayers are assessed on January 1, 2018 (2018 tax year) for the 2019 fiscal year.

^b Taxpayers are assessed on January 1, 2009 (2009 tax year) for the 2010 fiscal year.

**CITY OF MCKINNEY, TEXAS
AD VALOREM TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS (UNAUDITED)**

TABLE 8

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2010	63,006,610	61,922,528	98.28%	1,028,936	62,951,464	99.91%
2011	63,053,295	61,902,188	98.17%	1,097,114	62,999,302	99.91%
2012	64,122,059	63,014,520	98.27%	1,054,752	64,069,272	99.92%
2013	65,376,625	64,302,483	98.36%	1,029,290	65,331,773	99.93%
2014	70,558,231	69,377,804	98.33%	1,125,961	70,503,765	99.92%
2015	79,027,468	78,046,228	98.76%	882,088	78,928,316	99.87%
2016	89,414,386	88,635,948	99.13%	651,294	89,287,242	99.86%
2017	99,251,594	98,638,066	99.38%	469,574	99,107,640	99.85%
2018	105,920,720	105,628,137	99.72%	129,183	105,757,320	99.85%
2019	115,202,200	114,771,851	99.63%	-	114,771,851	99.63%

Source: Collin County Tax Assessor and Collector

CITY OF MCKINNEY, TEXAS
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS (UNAUDITED)

TABLE 9

Fiscal Year	Governmental Activities				Business-Type Activities		Total Primary Government	Percentage of	
	General Obligation Bonds	Certificates of Obligation	Tax Notes	Other Obligations	Water and Sewer Revenue Bonds	Other Obligations		Personal Income ^a	Per Capita ^a
2010	153,030,000	74,675,000	-	4,828,737	82,975,000	317,087	315,825,824	8.55%	2,409
2011	145,415,000	72,310,000	-	4,931,501	78,635,000	397,025	301,688,526	7.25%	2,258
2012	140,685,000	64,990,000	-	9,127,211	74,040,000	751,312	289,593,523	6.73%	2,128
2013	132,770,000	65,835,000	-	13,003,078	68,980,000	1,637,718	282,225,796	6.20%	2,004
2014	144,245,000	68,875,000	4,910,000	8,353,993	64,415,000	1,786,567	292,585,560	6.00%	1,969
2015	192,241,210	66,151,279	5,031,638	1,732,249	66,009,020	-	331,165,396	6.50%	2,135
2016	210,133,796	54,330,000	3,792,501	1,379,321	79,937,575	-	349,573,193	6.36%	2,159
2017	202,283,166	43,080,000	2,540,676	1,095,110	114,746,638	-	363,745,591	6.16%	2,161
2018	213,360,338	41,200,000	1,276,423	803,196	119,652,993	-	376,292,950	5.97%	2,093
2019	242,236,416	35,045,000	-	4,552,459	148,292,986	-	430,126,861	5.88%	2,290

Note: Details regarding the City's outstanding debt is found in the notes to the financial statements.

^a See Table 14 for personal income and population data.

CITY OF MCKINNEY, TEXAS
RATIO OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS (UNAUDITED)

TABLE 10

Fiscal Year	General Bonded Debt Outstanding			Total	Percentage of Actual Taxable Value of Property ^a	Per Capita ^b
	General Obligation Bonds	Certificates of Obligation	Tax Notes			
2010	153,030,000	74,675,000	-	227,705,000	2.17%	1,799
2011	145,415,000	72,310,000	-	217,725,000	2.04%	1,629
2012	140,685,000	64,990,000	-	205,675,000	1.90%	1,512
2013	132,770,000	65,835,000	-	198,605,000	1.80%	1,410
2014	144,245,000	68,875,000	4,910,000	218,030,000	1.99%	1,468
2015	192,241,210	66,151,279	5,031,638	263,424,127	1.96%	1,698
2016	210,133,796	54,330,000	3,792,501	268,256,297	1.75%	1,657
2017	202,283,166	43,080,000	2,540,676	247,903,843	1.43%	1,472
2018	213,360,338	41,200,000	1,276,423	255,836,761	1.32%	1,423
2019	242,236,416	35,045,000	-	277,281,416	1.29%	1,476

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

^a See Table 5 for property value data.

^b See Table 14 for population data.

**CITY OF MCKINNEY, TEXAS
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS (UNAUDITED)**

TABLE 11

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Tax Rate Limit	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50
Current Tax Rate	0.5855	0.5855	0.5855	0.5855	0.5855	0.5830	0.5830	0.5730	0.5402	0.5252
Available Tax Rate	<u>\$ 1.91</u>	<u>\$ 1.91</u>	<u>\$ 1.91</u>	<u>\$ 1.91</u>	<u>\$ 1.91</u>	<u>\$ 1.92</u>	<u>\$ 1.92</u>	<u>\$ 1.93</u>	<u>\$ 1.96</u>	<u>\$ 1.97</u>

Note: The City Charter of the City of McKinney, Texas does not provide for a debt limit. Under provisions of state law, the maximum tax rate is limited to \$2.50 per \$100 assessed valuation. No direct bond debt limitation is imposed on the City under current state law or the City's Charter.

**CITY OF MCKINNEY, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
SEPTEMBER 30, 2019 (UNAUDITED)**

TABLE 12

Governmental Unit	Gross Bonded Debt	Estimated Percentage Applicable^a	McKinney Share of Overlapping Debt
Debt repaid with property taxes			
McKinney ISD	\$ 532,890,000	88.314%	\$ 470,616,878
Collin College District	256,487,832	15.600%	40,011,941
Collin County	392,565,000	15.590%	61,199,588
Allen ISD	605,825,426	7.674%	46,491,870
Frisco ISD	1,976,210,964	15.236%	301,094,920
Melissa ISD	246,552,025	3.611%	8,904,042
Prosper ISD	791,689,002	25.512%	201,977,982
Lovejoy ISD	166,105,234	2.622%	4,355,595
Subtotal, overlapping debt	<u>\$ 4,968,325,483</u>		<u>\$ 1,134,652,815</u>
City of McKinney (direct debt)	281,833,875	100.000%	<u>281,833,875</u>
Total direct and overlapping debt			<u><u>\$ 1,416,486,690</u></u>

Source: Assessed value data used to estimate applicable percentages provided by Collin County Central Appraisal District. Debt outstanding data provided by each governmental unit.

Note: ^a The percentage of overlapping debt applicable is estimated using taxable assessed property values (before freeze loss). Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

**CITY OF MCKINNEY, TEXAS
PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS (UNAUDITED)**

TABLE 13

Fiscal Year	Water and Sewer System Revenue Bonds					Times Coverage
	Total Revenues ^a	Less: Operating Expenses ^b	Net Available Revenue	Annual Requirement ^c		
2010	\$ 48,990,765	\$ 34,215,781	\$ 14,774,984	\$ 5,797,296	2.55	
2011	57,912,585	35,956,535	21,956,050	5,402,317	4.06	
2012	55,403,332	37,820,688	17,582,644	4,979,317	3.53	
2013	57,208,779	41,360,736	15,848,043	4,523,586	3.50	
2014	55,313,403	44,364,584	10,948,819	4,155,783	2.63	
2015	59,442,114	49,810,061	9,632,053	4,110,810	2.34	
2016	71,714,020	57,597,770	14,116,250	4,861,938	2.90	
2017	80,127,546	61,991,651	18,135,895	7,052,254	2.57	
2018	94,797,855	71,430,215	23,367,640	7,357,075	3.18	
2019	97,348,390	75,818,700	21,529,690	9,099,568	2.37	

Note: ^a Includes operating revenues and investment income.
^b Includes operating expenses minus depreciation.
^c Includes Principal and Interest (represents average annual requirement).

**CITY OF MCKINNEY, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS (UNAUDITED)**

TABLE 14

Year	Estimated Population^a	Personal Income^b	Per Capita Personal Income^e	Median Age^e	Median Household Income^a	School Enrollment^c	Unemployment Rate^d
2010	131,117	\$ 3,695,532,645	\$ 28,185	30.6	\$ 63,366	24,346	8.00%
2011	133,619	4,158,624,137	31,123	31.7	77,405	24,730	8.10%
2012	136,067	4,304,479,545	31,635	32.0	78,256	24,461	5.90%
2013	140,826	4,550,088,060	32,310	33.6	79,171	24,533	5.60%
2014	148,559	4,880,014,591	32,849	30.6	81,118	24,791	4.50%
2015	155,142	5,096,259,558	32,849	33.0	81,118	24,765	3.40%
2016	161,905	5,495,217,605	33,941	33.3	82,988	24,827	3.60%
2017	168,358	5,906,672,072	35,084	34.6	83,257	25,992	3.30%
2018	179,804	6,308,243,536	35,084	35.9	93,546	24,666	3.30%
2019	187,802	7,314,700,098	38,949	36.4	90,725	24,717	3.00%

Sources: ^a Source Data: McKinney Planning Department

^b Personal income calculated by multiplying estimated population by per capita personal income.

^c Source Data: McKinney Independent School District

^d Source Data: Texas Workforce Commission for month ending September

^e Source Data: US Census Bureau

**CITY OF MCKINNEY, TEXAS
PRINCIPAL EMPLOYERS
CURRENT AND TEN YEARS AGO (UNAUDITED)**

TABLE 15

Employer	2019			2010		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Raytheon Space & Airborne Systems	2,725	1	2.72%	3,700	1	6.04%
MISD	2,500	2	2.49%	2,652	2	4.33%
Torchmark	1,640	3	1.64%	800	8	1.31%
Encore Wire	1,350	4	1.35%	800	7	1.31%
City of McKinney	1,280	5	1.28%	866	6	1.41%
Medical City McKinney	1,000	6	1.00%	950	5	1.55%
Collin College	884	7	0.88%	—	—	—
Baylor	738	8	0.74%	—	—	—
Timber Blinds	350	9	0.35%	—	—	—
Watson & Chalin	350	10	0.35%	800	9	1.31%
Total	12,817		12.78%	10,568		17.24%

Source: Top Ten Employer data provided by McKinney Economic Development Corporation
Total City Employment provided by Texas Labor Workforce Commission (TWC)

**CITY OF MCKINNEY, TEXAS
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES
BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS (UNAUDITED)**

TABLE 16

Function/Program	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General government	104.5	102.5	91.0	98.5	101.5	109.8	121.8	124.0	131.0	134.0
Police	208.0	207.0	206.0	219.0	236.0	238.0	244.0	261.0	275.0	289.0
Fire	167.2	166.7	164.5	167.5	171.5	174.5	188.0	191.0	195.0	215.0
Libraries	37.7	34.8	32.8	38.6	38.6	40.0	41.0	41.0	41.0	42.9
Development	105.1	97.0	81.5	82.5	92.0	95.0	96.0	101.5	109.5	113.5
Parks and recreation	81.5	84.0	85.0	87.0	87.0	91.8	147.4	155.9	192.3	202.3
Public works	61.7	61.7	61.7	61.4	66.9	71.1	75.8	74.5	78.5	81.5
Water/wastewater	77.7	74.7	74.7	73.0	77.4	80.6	94.6	103.1	109.5	116.5
Surface water drainage	11.0	11.0	11.0	11.0	14.3	14.3	15.3	16.5	16.5	18.5
Solid waste	12.0	12.0	12.0	12.0	13.0	13.0	13.0	14.5	16.0	16.0
Airport *	0.0	0.0	0.0	0.0	23.0	23.5	23.0	24.0	24.0	25.0
Total^a	866.3	851.4	820.2	850.5	921.1	951.5	1059.9	1107.0	1188.3	1254.2

Source: City of McKinney Budget Book

^a Excludes: Economic Development (MEDC), Community Development (MCDCC), and Visitor's Bureau (MCVB) employees

* FY14 - Airport Fund no longer a component unit.

**CITY OF MCKINNEY, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS (UNAUDITED)**

Function/Program	Fiscal Year			
	2010	2011	2012	2013
Police				
Number of police officers	161	161	161	187
Number of violations (citations) ^a	33,729	18,754a	17,366	14,944
Fire				
Number of fire fighters	151	151	153	159
Number of fire suppression runs	3,239	3,598	2,883	3,716
Number of EMS runs	7,100	6,180	6,936	6,613
Development Services				
Construction permits issued ^b	1,124	1,140	1,433	1,897
Estimated valuation ^b	\$ 455,355,457	\$ 407,386,347	\$ 667,398,668	\$ 790,302,673
Public Works				
Street maintenance - paved (miles)	9	11	15	13
Street signs repaired/installed	2,500	1,671	1,260	1,299
Parks and Recreation				
Park land and municipal acreage maintained	1,566	1,708	1,834	1,834
Rounds of golf	35,000	33,064	34,400	35,121
Library				
Volumes in collection ^c	210,000	219,704	227,585	232,814
Annual circulation	900,000	1,095,739	1,179,539	1,205,789
Water and Wastewater				
Number of water customers	41,853	42,946	44,644	46,791
Average daily water consumption (million gallons)	22.7	28.5	28.5	26.7
Maximum storage capacity (million of gallons)	44.0	44.0	44.0	44.0
Solid Waste				
Recyclables collected (tons) ^d	17,985	18,482	19,651	21,675
Solid waste collected (tons)	121,566	114,936	117,587	123,928
Airport ^e				
AvGas Gallons Sold	-	-	-	-
Jet Fuel Gallons Sold	-	-	-	-
Aircraft Operations	-	-	-	-

Source: City Departments

- Note:**
- ^a Basis for issued citation reconciliation adjusted in FY11
 - ^b Includes residential, commercial, and miscellaneous permits (i.e. pools, fences)
 - ^c Includes books and media.
 - ^d Recyclable material, by definition, comprises both MRF tons (residential and commercial) and compost tons.
 - ^e Acquired airport fixed based operations (FBO) in FY14. First full year of airport FBO recorded in FY15.

TABLE 17

Fiscal Year					
2014	2015	2016	2017	2018	2019
188	192	193	209	209	218
16,966	14,524	13,380	17,504	13,767	12,393
161	162	177	183	186	208
4,571	4,828	3,373	3,700	4,753	4,283
7,170	7,642	9,537	10,333	10,297	10,965
1,680	2,072	2,323	2,758	2,582	1,900
\$ 687,820,980	\$ 972,479,911	\$ 1,013,504,432	\$ 1,312,108,523	\$ 1,111,169,537	\$ 1,132,860,474
4	4	3	6	2	5
1,750	2,979	1,483	835	1,330	1,036
1,834	1,834	1,857	1,834	1,952	2,000
31,400	28,500	27,314	27,138	23,958	22,300
232,814	223,674	217,402	210,936	209,120	200,996
1,205,789	1,401,625	1,640,857	1,741,330	1,820,255	1,869,938
49,456	51,636	52,922	56,512	58,955	60,730
24.0	25.3	28.8	28.8	32.2	33.2
46.0	48.0	63.0	62.0	63.5	62.0
23,480	19,723	19,991	22,390	28,550	23,815
127,467	138,488	135,425	141,923	148,247	146,859
-	158,549	186,763	202,756	211,833	237,586
-	986,105	1,167,799	1,180,926	1,272,211	1,438,943
-	105,232	118,684	132,349	154,492	157,523

**CITY OF MCKINNEY, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS (UNAUDITED)**

TABLE 18

Function/Program	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	110	120	120	126	141	153	153	144	151	153
Motorcycle Units	8	8	8	7	7	9	9	7	8	8
Skywatch Towers	1	2	2	2	2	2	2	2	2	3
Trailers	-	-	-	-	4	8	8	9	5	6
Fire										
Stations	8	8	8	8	8	8	8	8	9	9
Public Works										
Streets-Paved (miles) ^c	706	723	723	761	729	753	775	863	792	1,602
Streets-Graded (miles) ^c	16	16	16	16	16	17	17	10	10	191
Streets-Unimproved (miles)	14	14	14	14	3	1	1	3	17	22
Alleys (miles)	78	78	78	71	78	78	73	73	71	75
Street lights (Including US 75)	4,760	5,901	5,901	6,147	6,333	6,776	6,790	6,790	7,651	8,682
Parks and Recreation										
Park Acreage	2,025	2,025	2,082	2,432	2,247	2,247	2,310	2,396	2,509	2,509
Public Parks	36	36	39	40	40	40	41	41	40	44
Community/Recreation Centers	3	3	3	3	3	3	3	4	4	4
Public Swimming Pools	3	3	3	3	3	3	3	4	4	4
Splash Pads	7	7	7	7	7	7	8	8	8	9
Baseball/Softball Diamonds	27	27	27	27	27	27	27	27	27	27
Tennis Courts	2	2	13	13	13	13	13	13	13	23
Soccer Fields (regulation size)	22	22	22	22	22	22	22	22	22	22
Disc Golf Course	1	2	2	2	2	2	2	2	2	2
Dog Park	-	-	-	-	1	1	1	1	1	1
Skate Park	-	-	-	1	1	1	1	1	1	1
Municipal Golf Course ^b	1	1	1	1	1	1	1	1	2	1
Ice Rink ^b	1	1	1	1	1	1	1	1	1	1
Library	2	2	2	2	2	2	2	2	2	2
Water and Wastewater										
Storage capacity (million gallons)	44	44	44	46	46	48	63	63	64	62
Water Mains (miles)	770	787	806	820	1,020	826	868	928	960	979
Fire Hydrants	6,688	7,007	7,473	7,734	7,823	8,030	8,384	9,042	9,466	9,769
Storm Sewer (miles)	257	266	396	406	428	430	450	483	499	520
Sanitary Sewers (miles)	610	630	620	662	672	628	653	693	713	718
Airport	1	1	1	1	1	1	1	1	1	1
Dedicated airport property (acres)	745	745	745	745	745	745	745	774	774	935
Runway length (ft) x width (ft)	7,001x100	7,001x100	7,002x150	7,002x150	7,002x150	7002x150	7002x150	7002x150	7002x150	7002x150

Source: City Departments

Note: ^a per Police Department

^b City owned, privately operated

^c Changed from lane miles to center lane miles in FY19

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